

THE NATION'S BUSINESS

*Extra
Edition*



June 5
1924

Business, Government and Agriculture
European Readjustment
Responsibility and Integrity of Business

Discussed by

Secretary Hoover
The British Ambassador
Julius H. Barnes
Gen. Herbert M. Lord
George T. Buckingham
Basil Miles
Dr. W. M. Jardine

Secretary Wilbur
The Belgian Ambassador
Judge Edwin B. Parker
Gen. John J. Carty
Alfred Stone
James E. Poole
Edward Prizer

*A Report of the Twelfth Annual Meeting of the Chamber of Commerce
of the United States and of the Accompanying Group Meetings*

Complete Table of Contents on page three



Published by the Chamber of Commerce of the United States



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About one-third of Davey Organization in Convention at Kent

JOHN DAVEY

Father of Tree Surgery
Rev. O. B. Felt, D.D.

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City of Mobile, Ala.

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DAVID GARDINER,
Sagtikos Manor Farm, Bay Shore, L. I.

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The skill and courtesy of your men was a

great joy to me, and a marvel to those who had never seen this work done before. Again, as with the work done for me last year, I must say you have sent me most excellent workmen.

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In This Number

For the third time The Nation's Business devotes an extra issue to an account of the Annual Meeting of the Chamber of Commerce of the United States, held this year in Cleveland, May 6, 7 and 8.

Three subjects engaged the attention of the meeting:

Business, Government and Agriculture

European Readjustment

and

The Responsibility and Integrity of Business

These were discussed by a notable group of leaders in American business and public affairs. What follows is the contribution of The Nation's Business to that meeting, a record of the more important things that took place. We have not sought to give a stenographic report of the sessions; we have not undertaken even to print in full all the addresses; we have tried to give the best of each of them.

Of the group meetings with their dozens of papers of importance and debates of importance, we have given summaries, sufficient, we hope, to arouse in our readers a demand for further information.

	PAGE
Business Speaks With One Voice.....	By ELMER MURPHY..... 5
If Business Doesn't, Government Will.....	By HERBERT HOOVER..... 7
Government, Business and Good Sense.....	By JULIUS H. BARNES..... 9
"Business in Government" at Work.....	By GEN. HERBERT M. LORD... 12
The Statesmanship of Business.....	By SIR ESME HOWARD..... 13
Justice for the Trade Association.....	By GEORGE T. BUCKINGHAM... 15
The Fifteen Commandments of Business.....	By JUDGE EDWIN B. PARKER... 16
Belgium, Again in the Workers' Ranks.....	By BARON DE CARTIER..... 18
Cotton, a Social Problem.....	By ALFRED STONE..... 19
The Blight of the Packers' Act.....	By JAMES E. POOLE..... 20
We Must Stop Exporting Wheat.....	By DR. W. M. JARDINE..... 21
Where the Law Touches Business.....	By CURTIS D. WILBUR..... 22
A Step Forward for Europe.....	By BASIL MILES..... 23
Business and Science, Partners.....	By JOHN J. CARTY..... 24
Why Not a Common-Sense Calendar?.....	By EDWARD PRIZER..... 25
Resolutions of the Meeting.....	26
The Group Meetings:	
Railroad and Postal Problems (Transportation and Communication).....	29
Section 28 and the Merchant Marine (Transportation and Communication).....	30
Friendship and Foreign Trade (Foreign Commerce).....	32
For Fairer Insurance Taxes (Insurance).....	34
Questions in the Manufacturer's Mind (Manufacture).....	36
Recent Tendencies in Distribution (Distribution).....	38
Common Problems in Raw Materials (Natural Resources Production).....	40
Labor Supply Factors In Immigration (Civic Development).....	42
Finance in Europe and on the Farm (Finance).....	45

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Have Faith!

NO MAN can look forward intelligently who has not learned also to look backward.

Let us, therefore, in retrospect pick up for a moment a tattered copy of a quaint old pamphlet which Moses Yale Beach issued seventy years ago. It was entitled *Wealthy Men of New York*.

Mr. Beach's measure of wealth was the possession of \$100,000; and of the 1000 New Yorkers whom he listed as "wealthy" about 900 possessed not more than this amount. Only 19 were credited with \$1,000,000 or more.

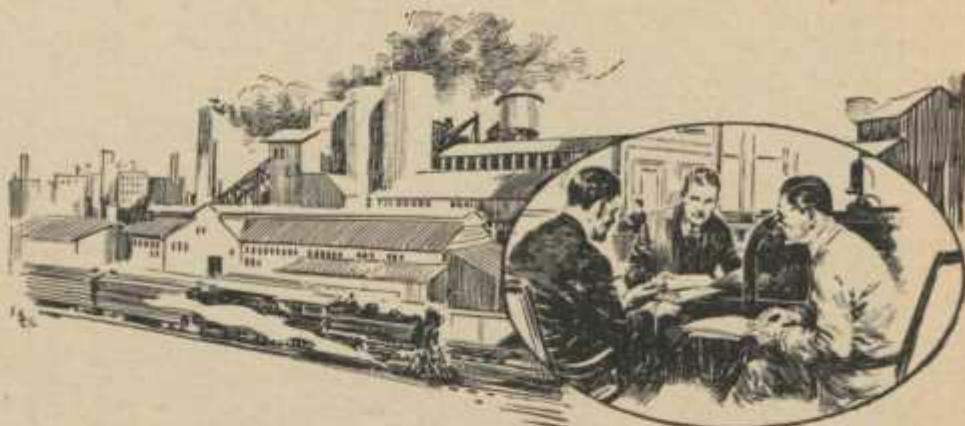
An interesting old record! There are three reasons that make it worth recalling today:

1. We need to remind ourselves often how magnificently the prosperity of the United States has grown. The increase in the number of modest as well as substantial fortunes is only an indication of what has happened to all Americans. Wages are higher, homes more comfortable, opportunities vastly greater than they have ever been in any country in the world. And there is every reason to believe that the record of the past will be progressively continued in the years to come.
2. Many of the names on Mr. Beach's list are not found on the lists of the wealthy today. Wealth does not take care of itself; it can be lost far faster than it can be gained. To make money and to make money work require quite different gifts. In both capacities a sound progressive trust company can render a valuable service.
3. Some names on Mr. Beach's list are found on the present-day lists of successful Americans; some are found upon the records of The Equitable. These are names of men whose descendants invested wisely, but always with a profound faith in the future of America, a conviction that any soundly managed American enterprise must prosper, because the country must grow.

The speculator and the doubter fail. The investor and the believer succeed. The voice of the Past speaks to the Present. "You live in a country far greater than we dreamed of," it says, "but we did have our vision and our faith; and in that faith we went forward. Do likewise in your day."

This is our heritage of faith, our business keynote for the years to come.

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The NATION'S BUSINESS

VOLUME 12, NUMBER 7

JUNE 5, 1924

A Magazine for Business Men

Business Speaks With One Voice

By ELMER MURPHY

IT IS difficult, if not hazardous, to attempt to epitomize all that is said and done at a meeting of upward of two thousand business men drawn together from the far corners of the country, many of them the spokesmen for hundreds, or even thousands, of other business men.

Yet the twelfth annual meeting of the Chamber of Commerce of the United States was such a meeting and it cannot be accounted for by a multiplicity of motives or diversity of purpose. Mere gregariousness will not bring an exporter from San Francisco, a manufacturer from Portland, Maine, and a cotton planter from Mississippi half way and more across a continent to meet some two thousand other men whose only similarity of interest lies in productive industrial enterprise.

Nor will so large a number foregather merely to listen to addresses by the British Ambassador, the Belgian Ambassador, the Secretary of Commerce, the Secretary of the Navy and others who have to do with affairs vaguely described as public.

Obviously so heterogeneous an assemblage could be brought and held together only by a common and single purpose which is not the sum total of individual interests but the attribute of business, in the aggregate, itself.

The physical fact of the meeting of such a number of business men, even to discuss problems more or less alike which many of them encounter in widely varied fields of activity, however important, is not unusual. Such meetings are held every day. But that there should be evolved a way of thinking, a sense of common obligation, a national business consciousness that is becoming more and more articulate, taking it out of the category of mere productive enterprise and bringing it elbow to elbow with government and science and diplomacy is one of the things that could have happened only yesterday and could have happened in no other way.

The striking fact of the Cleveland meeting was not that it was large or small but that it will, at least in retrospect, probably mark pretty clearly the dividing line between the time when numbers counted and the time when the formulation and clarification of this new American industrial philosophy shall count as a standard for the measurement of the business progress reflected in these gatherings.

"We are passing," said Secretary Hoover, in his address to the convention, "from a period of extremely individualistic action into a period of associational activities."

It might be said, after a survey of the Cleveland meeting, that this phase of organization is nearing completion. The process of associating, of coming together, is about done. The associations are developing their identity and setting themselves to their specific tasks.

It is certain, at least, that the business man or merchant of the old school who was sufficient unto himself and regarded his business

as his own affair alone, has departed into the mists of the past. It has come to be taken as a matter of course that those who are engaged in the same industry or in similar industries shall meet on the ground of a common experience. But there is nothing reducible to a bookkeeping formula to account for the gathering at the Cleveland meeting of so many men of so many pursuits from so many different sectional environments.

The first and the strongest impression it gave was one of diversity. It was reflected in the character of the meetings and in the men. Endless contrasts were afforded by the group sessions which considered problems of transportation, finance, foreign trade, distribution, manufacture, European readjustment and many other questions that lay beyond the horizon of the individual business man of a generation ago and of the industrial and trade association that has followed him.

A Unity of Diverse Interests

BUT THE effect of this diversity was not to emphasize how far apart they were but how closely they had been drawn together, and the fact that they had been drawn together, even in such numbers, had ceased to be startling. The more important thing was that, having been drawn together—stock raisers and economists, bankers and editors, manufacturers of lamp shades and locomotives, organization secretaries and executives, exporters and lawyers—they were devoting themselves to the furtherance of a common undertaking which could not be circumscribed by any one business or any one kind of business, and could be properly given no industrial label.

If there was one conclusion to which the Cleveland meeting—the succession of meetings—inevitably led, it was that business, speaking a common tongue and with a clear consciousness of its own obligations and its own purposes and even of its own weaknesses, found itself working toward the same end as government and diplomacy in attempting to solve the larger problems of existence.

All Business in One Boat

THIS was particularly true from a national viewpoint. It was also true from an international viewpoint, for, as Sir Esme Howard, the British Ambassador, said, "for the sake of prosperity generally it is becoming increasingly clear that all business, whether agricultural, industrial or financial, hangs together all over the world."

It might be premature to conclude that the Cleveland meeting marks the end of the period of organization during which business has been finding itself and perfecting the mechanical arrangements by which it can express itself with some degree of unison. But it afforded unmistakable evidence that the

point of cohesion had been reached at which business was thinking not only of its relations to government—the "team play" to which President Barnes so often referred—and to the public, but of its obligations to itself.

It had developed a wholesome introspection by which it took stock of its own responsibilities and its qualifications for meeting them. In this it is to be distinguished from any other meeting of the kind that has ever been held.

The outcropping of this idea ran through all the discussion. It was presented most clearly by Secretary Hoover who formulated the precept that the responsibility for the standards of honesty laid down two thousand years ago increases infinitely in high places either in business or government and their failure is a blow at the repute of both. He added this rule:

"There must be organization in such form as can establish the standards of conduct in this vast complex of shifting invention, production and use. There is no existing basis to check the failure of service or the sacrifice of public interest. Some one must determine such standards. They must be determined and held flexibly in tune with the intense technology of business."

In other words, while the Ten Commandments and individual responsibility for observing them remains the same, the ways in which they may be violated have multiplied as business has grown in complexity and expanded its activities.

This, obviously, was not a fugitive thought on the part of the Secretary of Commerce, who is too analytical to be casual in weighing so important a problem. That it was a common impulse was proven to some extent by the fact of the convention itself. And if further evidence were needed that the more than two thousand business men who constituted it were aware of their responsibility and are intent upon fixing standards of conduct for their own guidance and control, it is afforded by the resolutions, already prepared, which they unanimously adopted, laying down fifteen fundamental principles, the framework of an ethical business code, and formulating the basic rule that "the function of business is to provide for the material needs of mankind, and to increase the wealth of the world and the happiness of life."

By their own action they were ready to justify the conclusion that what Secretary Hoover characterized "the dream of many thinkers"—a self-governing industry and business that can be made to render needless a vast area of governmental interference and regulation—is not so intangible or evanescent after all.

In the light of these declarations it is not difficult to tie together the varied group meetings and the subjects they discussed or to bring to a common focus the diversity of interests that were represented. All that was

embraced in the Cleveland meeting can be strung upon the single thread of this industrial philosophy. It explains the solicitude of business for agriculture, the interest of American business in European readjustment and the appeals for the support of the Dawes report, the study of the proper relationship between employer and employee, and the consideration of national economic policy involved in taxation, immigration and the development of transportation and other agencies of common use.

The three major topics of the convention—business and agriculture, European readjustment and the responsibility and integrity of business—were, from this higher viewpoint, expressions of the same purpose, implying a realization on the part of business of its obligations to itself and its obligations to others. The interests evoked by this sense of obligation were not restricted to a purely national environment.

The note of the archconfraternity of business was sounded by the British and Belgian Ambassadors and Basil Miles, the American Commissioner of the International Chamber of Commerce. The idea was also crystallized in several resolutions, one pledging support of the plan of the experts looking to international economic restoration, another advocating adherence to the international court of justice, another commending the President for his efforts to deal by friendly negotiation with the very vexing problem of Japanese immigration.

But it was mainly in the field of national activity that the problems with which the convention had to deal lay and it was not so much any solution of them that was offered as the clearer definition of the manner in which they are to be solved that struck the observer. Business rubbed elbows with government and a better understanding resulted.

Contrary to the general belief, this close relationship, which must become closer as business develops the responsibility and self-control to which Secretary Hoover referred and toward the achievement of which the Cleveland meeting marked a definite forward stride, was characterized by a spirit of co-operation rather than antagonism.

Exception was taken to certain legislative policies formulated in Congress as being either ineffective or economically unsound. The convention declared, for example, that "means should be found to improve the efficiency of the methods of marketing at the disposal of agriculture, and every other measure founded on the principles which will tend to stability should be provided. Any proposal for buying, selling, manufacturing or other handling of agricultural products by government agencies, however, whether under pretense of exertion of price influences or otherwise, we oppose as contrary to the principles for which the Chamber has stood with respect to other fields of activity and as sure to result disastrously for agriculture itself."

But this cannot be construed as criticism of government, for the same idea was expressed by Secretary Hoover in characterizing socialism as "Government in all business" and a step away from, rather than in the direction of, the self-governing industrial democracy which is the American ideal.

The meeting itself afforded many examples of the developing cooperation between Government and business. General Herbert M. Lord, Director of the Bureau of the Budget, Dr. George K. Burgess, Director of the Bureau of Standards, Admiral Leigh C. Palmer, President of the Emergency Fleet Corporation, and many other government officials spoke in the same key and to the same effect as the representatives of American business.

Nor was any conflict of purpose disclosed in what each had to say. It was clear that the expressed hope of the Secretary of Commerce that "the abuses which give rise to Government in business be eliminated by the systematic and voluntary action of commerce and industry itself" was not to be interpreted as foreshadowing the time when Government would let business alone but when both should work more closely together.

In this sense the final statement of President Barnes summarizing the accomplishments of the Cleveland meeting were more a prophecy of what is to come than a review of what had already happened.

"The growing membership and widened support for chamber work," he said, "shows that all sections of business life realize the necessity for common action. The declarations of standards and ethics express the reason for a growing public trust and confidence in organized business. The widespread interest demonstrates a growing appreciation that fair and healthful business and industry is the foundation of employment, earnings and a secure American standard of living."

"Legislation and administration have learned to welcome the support of this business conviction because it has proved itself to be informed, unselfish and dependable. Congress will listen to such a voice because it is the declaration of 750,000 business men that they will hold responsible the men who defy American traditions of government and violate sound economic law; and because business opinion will be taken with care and logic, supported manifestly by accuracy of fact and pressed with courage and determination."

"The very logic of events will demonstrate that judgment so formed and so expressed will win because it is right and sound and in the public interest."

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If Business Doesn't, Government Will

By HERBERT HOOVER

Secretary of Commerce

YOUR chamber has recently submitted to its members a number of recommendations upon Principles of Business Conduct in the form of a report of your Committee on Business Ethics. The very fact of issuing such a report is of interest. I wish to discuss the whole subject in its wider sense and in the relation of government to business.

The advancement of science and our increasing population require constantly new standards of conduct and breed an increasing multitude of new rules and regulations. The basic principles laid down in the Ten Commandments and the Sermon on the Mount are as applicable today as when they were declared, but they require a host of subsidiary clauses. The ten ways to evil in the time of Moses have increased to ten thousand now.

Human Rights Conflict

A WHOLE host of rules and regulations are necessary to maintain human rights with this amazing transformation into an industrial era.

Ten people in a whole county, with a plow apiece, did not elbow each other very much. But when we put seven million people in a county with the tools of electricity, steam, 30-floor buildings, telephones, miscellaneous noises, street cars, railways, motors, stock exchanges, and what not besides, then we do jostle each other in a multitude of directions.

Thereupon our lawmakers supply the demand by the ceaseless piling up of statutes in attempts to keep the traffic open, to assure fair dealing in the economic world, to eliminate its wastes, to prevent some kind of abuse or some kind of domination. Moreover, with increasing education our senses become more offended and our moral discriminations increase, for all of which we discover new things to remedy. In one of our states more than 1,000 laws and ordinances have been added in the last eight months. It is also true that a large part of them will sleep peacefully in the statute book.

The question we need to consider is whether these rules and regulations are to be developed solely by government or whether they cannot be in some large part developed out of voluntary forces in the nation. In other words, can the abuses which give rise to government in business be eliminated by the systematic and voluntary action of commerce and industry itself? This is indeed the thought behind the whole gamut of recent slogans, "Less Government in Business," "Less Government Regulation," "A Square Deal," "The Elimination of Waste," "Better Business Ethics," and a dozen others.

National character cannot be built by law. It is the sum of the moral fiber of its individuals. When abuses which rise from our growing system are cured by live individual conscience, by initiative in the creation of voluntary standards, then is the growth of moral perceptions fertilized in every individual character.

No one disputes the necessity for constantly new standards of conduct in relation to all these tools and inventions. Even our latest great invention, radio, has brought a host of new questions. No one disputes that much of these subsidiary additions to the Ten Commandments must be made by legislation. Our public utilities are wasteful and costly unless we give them a privilege more

or less monopolistic. At once when we have business affected with monopoly, we must have regulation by law. Much of even this phase might have been unnecessary had there been a higher degree of responsibility to the public, higher standards of business practice among those who dominated these agencies in years gone by.

There has been, however, a great extension of government regulation and control beyond the field of public utilities into the fields of production and distribution of commodities and credit. When legislation penetrates the business world, it is because there is abuse somewhere.

A great deal of this legislation is due rather to the inability of business hitherto to so organize as to correct abuses than to any lack of desire to have it done. Sometimes the abuses are more apparent than real, but anything is a handle for demagoguery. In the main, however, the public acts only when it has lost confidence in the ability or willingness of business to correct its own abuses.

Legislative action is always clumsy—it is incapable of adjustment to shifting needs. It often enough produces new economic currents more abusive than those intended to be cured. Government too often becomes the persecutor instead of the regulator.

The vast tide of these regulations that is sweeping onward can be stopped if it is possible to devise, out of the conscience and organization of business itself, those restraints which will cure abuse, that will eliminate waste, that will prevent unnecessary hardship in the working of our economic system, that will march with larger social understanding. Indeed it is vitally necessary that we stem this tide if we would preserve that initiative in men which builds up the character, intelligence, and progress in our people.

Our Dependable Citizenship

I AM ONE of those who believe in the substratum of inherent honesty, the fine vein of service and kindness in our citizenship. The vast volume of goods and services that daily flow through the land would cease instantly were it not for the instinctive dependence of our people upon the moral responsibility of the men who labor in the shops and farms and the men who direct our production and distribution.

In these times of muddled thought it is sometimes worth repeating a truism. Industry and commerce are not based upon taking advantage of other persons. Their foundations lie in the division of labor and exchange of products. For through specialization we increase the total and variety of production and secure its diffusion into consumption.

By some false analogy to the "survival of the fittest" many have conceived the whole business world to be a sort of economic "dog eat dog." We often lay too much emphasis upon its competitive features, too little upon the fact that it is in essence a great cooperative effort. And our home-made bolshevist-minded critics to the contrary, the whole economic structure of our nation and the survival of our high general levels of comfort are dependent upon the maintenance and development of leadership in the world of industry and commerce. It must be realized

that any contribution to larger production, to wider diffusion of things consumable and enjoyable, is a service to the community; and the men who honestly accomplish it deserve high public esteem.

The thing we all need to consider searchingly is the practical question of the method by which the business world can develop and enforce its own standards and thus stem the tide of governmental regulation. The cure does not lie in mere opposition. It lies in the correction of abuse. It lies in an adaptability to changing human outlook.

The problem of business ethics as a prevention of abuse is of two categories: those where the standard must be one of individual moral perceptions, and those where we must have a determination of standards of conduct for a whole group in order that there may be a basis for ethics.

Responsibilities of Leadership

THE STANDARDS of honesty, of a sense of mutual obligation and of service, were determined 2,000 years ago. They may require at times to be recalled. And the responsibility for them increases infinitely in high places either in business or government, for there rests the high responsibility for leadership in fineness of moral perception. Their failure is a blow at the repute of business and at confidence in government itself.

The second field, and the one which I am primarily discussing, is the great area of indirect economic wrong and unethical practices that spring up under the pressures of competition and habit. There is also the great field of economic waste through destructive competition, through strikes, booms and slumps, unemployment, through failure of our different industries to synchronize and a hundred other causes which directly lower our productivity and employment. Waste may be abstractly unethical, but in any event it can only be remedied by economic action.

If we are to find solution to these collective issues outside of government regulation, we must meet two practical problems:

First, there must be organization in such form as can establish the standards of conduct in this vast complex of shifting invention, production, and use. There is no existing basis to check the failure of service or the sacrifice of public interest. Someone must determine such standards. They must be determined and held flexibly in tune with the intense technology of trade.

Second, there must be some sort of enforcement. There is the perpetual difficulty of a small minority who will not play the game. They too often bring disrepute upon the vast majority; they drive many others to adopt unfair competitive methods which all deplore; their abuses give rise to public indignation and clamor which breed legislative action.

I believe we now for the first time have the method at hand for voluntarily organized determination of standards and their adoption. I would go further; I believe we are in the presence of a new era in the organization of industry and commerce in which, if properly directed, lie forces pregnant with infinite possibilities of moral progress.

I believe that we are, almost unnoticed, in the midst of a great revolution—or perhaps a better word, a transformation—in the whole super-organization of our economic life. We are passing from a period of extremely in-

dividualistic action into a period of associational activities.

Practically our entire American working world is now organized into some form of economic association. We have trade associations and trade institutes embracing particular industries and occupations. We have chambers of commerce embracing representatives of different industries and commerce. We have the labor unions representing the different crafts. We have associations embracing all the different professions—law, engineering, medicine, banking, real estate, and what not. We have farmers' associations, and we have the enormous growth of farmers' cooperatives for actual dealing in commodities.

Of indirect kin to this is the great increase in ownership of industries by their employees and customers, and again we have a tremendous expansion of mutualized insurance and banking.

Although such associational organizations can trace parentage to the middle ages, yet in their present implication they are the birth of the last 50 years, and in fact their growth to enveloping numbers is of the last 25 years. We have, perhaps, 25,000 such associational activities in the economic field. Membership, directly or indirectly, now embraces the vast majority of all the individuals of our country. Action of wide import by such associations has become an important force of late in our political, economic, and social life.

Rise of Collective Action

IT IS true that these associations exist for varied purposes. Some are strong in recognition of public responsibility and large in vision. Some are selfish and narrow. But they all represent a vast ferment of economic striving and change.

Ever since the factory system was born there has been within it a struggle to attain more stability through collective action. This effort has sought to secure more regular production, more regular employment, better wages, the elimination of waste, the maintenance of quality or service, decrease in destructive competition and unfair practices, and oftentimes to assure prices or profits.

The first phase of development on the business side was "pools" in production and distribution. They were infected with imposition upon the public and their competitors. In some part they were struggles to correct abuse and waste. They were followed by an era of capital consolidations with the same objects, but also to create a situation of unbreakable agreements. Both were against public interest, and the public intervened through the Sherman Act. Yet underneath all these efforts there was a residuum of objects which were in public interest.

Associational activities are, I believe, driving upon a new road where the objectives can be made wholly and vitally of public interest. The legitimate trade associations and chambers of commerce with which I am now primarily concerned possess certain characteristics of social importance and the widest differentiation from pools and trusts. Their membership must be open to all members in the industry or trade, or rival organizations enter the field at once.

Therefore they are not millstones for the grinding of competitors as was the essence of the old trade combinations. Their purpose must be the advancement of the whole industry or trade, or they cannot hold together. The total interdependence of all industries and commerce compels them in the long run to go parallel to the general economic good. The leaders rise in a real democracy without

bosses or political manipulation. Citizens cannot run away from their country if they do not like the political management, but members of voluntary associations can resign, and the association dies.

I believe that through these forces we are slowly moving toward some sort of industrial democracy. We are upon its threshold if these agencies can be directed solely to constructive performance in the public interest.

Self Government for Industry

ALL THIS does contain some dangers, but they will come only from low ethical standards. With these agencies used as the machinery for the cultivation and spread of high standards and the elimination of abuses, I am convinced that we shall have entered the great era of self-governing industry and business which has been a dream to many thinkers. A self-governing industry can be made to render needless a vast area of governmental interference and regulation which has grown up out of righteous complaint against the abuses during the birth pains of an industrial world.

Some people have been alarmed lest this associational movement mean the destruction of our competitive system, lest it inevitably destroy the primary individualism which is the impulse of our society.

This alarm is groundless. Its rightful activities do not destroy equality of opportunity or initiative. In fact, they offer new avenues of opportunity for individuals to make progress toward leadership in the community. Any one of them will die at once if it does not offer equality of opportunity to its members; or if it restricts its membership, rival associations at once emerge. They are the safeguards of small business and thus prevent the extinction of competition. They are the alternative to capital consolidation. They are not a growth toward socialism—that is, government in all business—they are in fact a growth directly away from such an idea.

Right here, for the benefit of the gloomy persons who have a frozen belief that every form of associational activity is a conspiracy to fix prices and to restrain trade, to perpetuate tyranny of employer or employee, we may remember that there are some crooks in every line of endeavor. The underlying purposes of the vast majority are constructive. A minority may be violating the Ten Commandments and need the application of criminal standards. I am speaking, however, of something more vital than porch-climbing.

High Standards Raise Competition

I AM, of course, well aware of the legal difficulties that surround certain types of associational work. I do not believe that the development of standards of conduct or the elimination of abuses in public interest have ever been challenged as a violation of the Sherman Act. Moreover, to establish either a physical or a moral standard directly sharpens competition.

These associational activities are the promising machinery for much of the necessary determination of ethical standards, for the elimination of useless waste and hardship from the burden of our economic engines. Moreover, we have in them not only the agencies by which standards can be set, but by cooperative action among the associations representing the different stages of production, distribution and use we can secure a degree of enforcement far wider than mere public opinion in a single trade.

When standards are agreed upon by the associations representing the manufacturer and distributor, and by those representing

the user, we have a triple force interacting for their enforcement.

Now I do not wish anyone to think my feet are not on the ground in all this, and I propose to give a few illustrations from real life of what can be effected by constructive associations and by cooperation among them.

The Department of Commerce has, at the request of the lumber industry, held a number of conferences to discuss the rules of the road in that industry and its relations to the other industries and the common good. The problem was to establish more general and more constructive standards of practice, ethics, and waste elimination.

In the toil of formulating these standards there arose a question of how thick a 1-inch board should be. It sounds easy. But it quickly developed to be a question whether it should be 1 inch thick when it was green, after it was dried, when planed on one side, or when planed on both sides. It developed not only that a choice had to be made among these four alternatives, but also that this choice had to be based upon a proper consideration for the conservation of our forests on one hand and the provision of a material of such structural character as to constitute a square deal to the consumer on the other.

Success When Legislation Fails

IT ALSO developed that there were 32 different thicknesses of a 1-inch board in current use and that some minority of manufacturers in the drive of unfair competition were gradually thinning the board until it threatened to become paper. There also had to be developed the exact differences which threw a board into four or five different grades, and there had to be a determination of standard trade names for different species of wood. The point was that an accurate standard had to be determined before discrimination as to fair dealing and public service could be gauged. That occasion was the foundation of ethics in 1-inch boards.

These conferences established some 80 questions involving the whole technology of lumber and comprising for the first time a definite series of national standards. Here is the sum of our problem. It could only be accomplished through an association in the industry. It is proof of industrial conscience and service.

The second part of the practical problem which I enumerated before is enforcement. Again associational activities were called upon. The manufacturers were not alone in these conferences, but the distributor and consumer were also represented by the Architects' Association, the Building Contractors' Association, the railway and other purchasing associations, and the retailers' associations.

The action and reaction of the buyer and seller upon each other in their desire to secure fair dealing in industry can procure enforcement. Joint inspection bureaus have been erected where complaint for violation can be lodged and determination made. Enforcement may not be 100 per cent, but the standards are there, and a sense of individual responsibility and self-interest will eventually, I am confident, make them universal.

For years aggrieved persons and some of the trade have been agitating this question of lumber standards in Congress. Numerous bills have been introduced. If this effort succeeds, no legislation will be necessary. This is keeping the Government out of business through the remedy of abuses by business itself.

I propose now to mention one other case of a most vitally important and entirely different order, rendered possible only through

associational activity in which the Department of Commerce has been in active cooperation. That is in the bituminous coal industry.

There have been developed in this industry, as many of you are aware, 30 per cent too many mines operating intermittently during nearly every week of the year with a large seasonal dip in summer. Thus they required 30 per cent more labor and 30 per cent more capital than was necessary to produce the nation's coal.

One effect of this situation was that some proportion of the employees secured too few days' work to yield them a reasonable standard of living, even at the apparently high daily wage. This minority of employees were naturally a constant source of agitation and disturbance. The result of all this was a higher cost of producing coal and consequently a higher national coal bill, speculation and uncertainty to the operators, hardship and difficulty and instability to a considerable portion of the workers.

The fundamental cause was a vicious cycle of seasonal fluctuation in demand, annual shortage in coal cars, and periodic strikes which grew out of the instability of labor relationships. These periods of shortened or suspended production always resulted in famine prices for coal and great stimulation to the opening of new mines.

At least four government commissions have examined this question. Probably 40 bills have been introduced into Congress proposing governmental regulation in an attempt to correct the abuses and wastes and public danger that lay in the situation.

The associational agencies in the field were those of the operators, of labor, of the railway executives and of the various associations of industries as consumers. The first problem was to secure a general knowledge of the causes to which I feel the Department of Commerce contributed substantially.

Remedy was undertaken in many directions. The railway association induced the construction of a more ample supply of coal cars and greater expedition and interchange in handling between different railways. The Department of Commerce, in cooperation with the chambers of commerce, manufacturers' associations, railway and public utilities associations, secured that more coal should be put in storage during the summer season.

The result was that last year for the first time in many years we had no interruption

in the distribution of coal due to car shortages. One element of the vicious cycle in this situation is eliminated, provided we can continue this same cooperation in future.

The second part of the solution was the general agreement by both operators and labor that stability could not be restored in the industry unless there was a long period of continuous operation in which the absence of coal famines and profiteering would eliminate the speculative and high-cost producer and reduce the units in the industry and thus its intermittency. The labor agreement between these associations made last February for a term of three years has assured this improvement.

Here we have an example of the most profound national importance in at least the beginning of stabilization of an industry involved in a most vicious cycle of waste and trouble. The national savings can be measured in hundreds of millions and the human hardships greatly lessened.

There will be some preliminary hardship in so great a self-imposed surgical operation but I am confident it will heal to the mutual interest of the operators, the public, and the workers. Today I do not believe there is any sentiment for government regulation of the bituminous coal industry.

Many Steps of Progress

ANOTHER instance of great interest in which I had the honor to participate was the abolition of the 12-hour day in the steel industry through the action of the steel association.

I could give you a multitude of examples of the beginnings of constructive self-government in industry among many other associations. The very publication of codes of ethics by many associations instilling service as the primary purpose, the condemnation of specific unfair practices, the insistence upon a higher plane of relationships between employer and employee—all of them are at least indications of improving thought and growing moral perceptions.

All of this is the strong beginning of a new force in the business world. The individual interest is wrapped up with public interest. They can find expression only through association. Three years of study and intimate contact with associations of economic groups, whether in production, distribution, labor or finance, convince me that

there lies within them a great moving impulse toward betterment.

If these organizations accept as their primary purpose the lifting of standards, if they will cooperate together for voluntary enforcement of high standards, we shall have proceeded far along the road of the elimination of government from business. American business is never secure unless it has public confidence behind it. Otherwise it will always be a prey to demagoguery and filled with discouragement.

The test of our whole economic and social system is its capacity to cure its own abuses. New abuses and new relationships to the public interest will occur as long as we continue to progress. If we are to be wholly dependent upon government to cure these abuses, we shall by this very method have created an enlarged and deadening abuse through the extension of bureaucracy and the clumsy and incapable handling of delicate economic forces.

The old law merchant is the basis of much of our common law. A renaissance of a new law merchant could so advance our standards as to solve much of the problem of government in business.

American business needs a lifting purpose greater than the struggle of materialism. Nor can it lie in some evanescent, emotional, dramatic crusade. It lies in the higher pitch of economic life, in a finer regard for the rights of others, a stronger devotion to obligations of citizenship that will assure an improved leadership in every community and the nation; it lies in the organization of the forces of our economic life so that they may produce happier individual lives, more secure in employment and comfort, wider in the possibilities of enjoyment of nature, larger in their opportunities of intellectual life. Our people have already shown a higher sense of responsibilities in these things than those of any other country. The ferment of organization for more definite accomplishment of these things in the practical day-to-day progress of business life is alive in our business world.

The Government can best contribute through stimulation of and cooperation with voluntary forces in our national life; for we thus preserve the foundations upon which we have progressed so far—the initiative of our people. With vision and devotion these voluntary forces can accomplish more for America than any spread of the hand of government.

Government, Business and Good Sense

By JULIUS H. BARNES

President, Chamber of Commerce of the United States

THE SWELLING volume of American production and distribution rose last fall to its unprecedented crest, recording 23 successive weeks of railroad car loadings exceeding 1,000,000 cars weekly. In the face of continued instability and unsettlement in Europe the American tide of commerce distribution, sustained by the buying power of a fully employed people, seemed capable of indefinite maintenance and continued expansion. The great engine of American large-scale production, developed by industrial methods and practices peculiarly American, seemed illimitable in its ability to take the suggestions of inventive minds, provide great quantities of new and old articles of living use, and by this very process enlarge and strengthen the earning power of our people and their ability to purchase and possess.

How extensive the American industrial mechanism in its aggregate performance has become may be pictured by the general state-

ment that, although we have in America only 6 per cent of the world population, we convert annually through our industries into the manifold forms and shapes that serve the various requirements of living use, almost one-half of the annual output of the basic materials of the world. A simple table showing the production and consumption here in these standard materials runs thus:

America produces 43 per cent of the world output of coal and consumes 57 per cent.
America produces 54 per cent of the world output of iron and consumes 53 per cent.
America produces 64 per cent of the world output of steel and consumes 57 per cent.
America produces 49 per cent of the world output of copper and consumes 44 per cent.

America produces 64 per cent of the world output of petroleum and consumes 77 per cent.

America produces 69 per cent of the world output of cotton and consumes 57 per cent.

America produces 52 per cent of the world output of timber and consumes 51 per cent.

America produces 41 per cent of the world output of shoes and consumes 39 per cent.

America produces 43 per cent of the world output of printing paper—the great indicator of the dissemination of information and knowledge—and consumes 50 per cent.

And it is America's buying that sustains the industrial and financial structure of the countries that produce silk, or rubber, or coffee—articles which we do not produce at home because of climatic and soil conditions.

And, finally, America produces 92 per cent of the world output of automobiles and consumes 90 per cent.

How efficiently this industrial mechanism is

functioning and how adaptable it has become to every device that serves it with economy is again shown by the general statement that this 6 per cent of world population owns almost half the railroad mileage of the world, and almost three-quarters of the telephone and telegraph equipment. Moreover, it produces and uses at home about 90 per cent of the world equipment of automobiles.

The equipment of industry, however, developed the need of additional capital ventures into industry if that modernizing and expanding was to continue. The railroads during 1923 expanded in new equipment and improvement more than \$1,000,000,000, and, as a result, for the first time in years America had adequate and ready transportation, which of itself proved a great safeguard to the operations of industry and the welfare of all our people. But this railroad capital was secured almost entirely from loans resting directly as prior obligations with fixed charges and lacking the flexibility and elasticity of stock ownership ventures, which latter would have required the hope of better capital returns in event of successful enterprise.

It became clear that a substantial part of the annual fund of reinvestment capital, represented by the larger individual incomes, was unwilling to take the ventures of active industry because the national rates of surtaxes did not leave a fair balance between unshared prospective loss and the unlevied portion of possible profit. Moreover, it had become apparent that the general burden of war taxes had become unbearable under peace conditions and that the national finances had been so wisely administered that this relief could well be extended in the reduction of the national aggregate tax levy.

There had been for many months a general discussion of these developing phases of national taxation so that in November last there was a great popular demonstration of approval when the Secretary of the Treasury proposed to Congress a revision of the tax structure which relieved 7,000,000 individual taxpayers and at the same time revised the unwise surtax rates.

At that time there was a spirit of confident enterprise of courage and resourcefulness in American industry which augured well for the future. America for a short time had a vision of national finances administered with experience, skill and foresight; of a National Congress appreciating that kind of public service and quick to follow proven ability and matured judgment.

The Fear of Legislation

AND THEN in the five months intervening we have the slow discouragement and growing misgiving and distrust as the National Congress delays, substituting proposals that carry the stamp of the obstinacy of untested personal opinion, or of partisan consideration. This misgiving was again intensified by the suspicion of insincerity which discusses relief of the national treasury and yet levies the additional burden of a bonus grant. Running parallel with these again, discussion in Congress which proposes a violation of the American tradition of private initiative and private enterprise under which our whole material progress has been achieved; proposing that government itself shall buy and sell and manufacture certain commodities under a theory of artificially maintaining price relations.

Out of these discouraging conditions in our National Congress, in spite of sound fundamentals and in the face of the first hopeful solution of European instability in five years, has developed a hesitancy in the business world. Even before this undermining of the

spirit of confident enterprise by growing misgiving, there were conditions in industry which should have enlisted the most sympathetic and wise treatment in national policies. The terrific deflation of 1920-21 had not been yet fully absorbed in all lines of industry. It was manifest that many sections of industry were on turnover margins which were not adequate to provide proper earnings and the factor of safety provision.

Yet, even today, so sound are the fundamentals of American business that the spirit of courage, confidence and enterprise could be revitalized quickly by intelligent team play between Government and industry.

The manifest quick response of the processes of industry to government policies, wise or unwise, emphasizes the growing interdependence of Government and industry in this country.

Government and Our Money

GOVERNMENT, with its requirements, its legislative and its administrative authority, touches the flow of liquid capital and moneys in three major aspects.

1. By its proper monopoly of currency issuance. There is here entrusted to Government a very solemn responsibility in respect to this function, and the experiences in recent years of European countries which have departed from the rigid standards of trust in respect of this governmental function, show how devastating uncontrolled currency issuance must be to the very processes of industry and how destructive to the thrift and self-denial impulses of a people.

2. By control of appointee power of the policies of the Federal Reserve System; and here again this engine of credit must be administered by the very highest type of policy and devotion to the whole public interest.

3. By unwise tax laws which might tend to frighten a large section of the reinvestment capital from active ventures into expanding industry and into semi-seclusion of greater safety.

Every American agency which affects public opinion faces now the problem of creating a general public understanding of this new relation and making this informed public opinion effective in influencing properly the policies of Government which thus through industry reach every American home.

At this point it is encouraging to remember that 6 per cent of the world's population here in America consumes over one-half the newsprint of the world. The printed page, which quickens mentality, widens knowledge, provides the comparison of American methods, practices and standards with the achievements of other lands, is a great barrier against social theories that depend on the credulity of ignorance. Statements of error made with the positiveness which might otherwise carry conviction fall before public literacy which ascertains the accuracy of facts through daily reading. Many generations of traditional public school education in America provide the background for the service of 22,000 newspapers.

How fast the newspaper agency of general information has developed and how it has been spaced with the inventive service of industry itself is visualized by this simple statement: The first newspaper published in America, containing foreign news then five months old, consisted of two sheets 9 x 12. Today there are vast newspapers that require the service of the perfected fast press, turning out 48,000 8-page papers hourly.

Informed public opinion is the final tribunal which controls government policies in the self-government of any free people. It is the

primary responsibility of our organization and its peculiar privilege, as well, that on national problems it shall collect accurate information, stimulate understanding and discussion, present the arguments for or against a conclusion, crystallize thus public opinion and collect that public opinion in order to strengthen and support the great majority of public servants who really desire to discharge public office in the public interest.

It is evident that there is a field of peculiarly hopeful promise in America for the construction of sound and intelligent public opinion. We may visualize this by the index of general information for which the printed page of newsprint has become the symbol. The consumption of newsprint in 1920 per capita runs thus:

Russia	6 pounds
Japan	12 pounds
Germany	45 pounds
Great Britain.....	76 pounds
United States.....	150 pounds

Moreover, if repeated trials of social and political errors against the recorded failures of history rest largely on limited opportunity and illiteracy of whole peoples here then is a great index of hopefulness, wider than our single country, in that the world consumption of newsprint per capita has risen in forty years from 3 pounds to 50 pounds.

We have again a comparison which is encouraging as showing the relative activity and alertness of our business and social structure, in the comparison of telephone use here and in other countries. Moreover, this comparison lends additional conviction that government ownership of public utilities is not the proper reliance for the protection of the public interest. The telephone conversations per capita of certain countries run as follows:

United States.....	160
Germany	52
France	18
Great Britain.....	18

When our people read that in this great new and sparsely settled country the United States has 13 telephones per 100 people, while Great Britain has 2, there is a natural inquiry which must be answered: Why should they, if their political philosophy and social practices are so similar, differ so radically in the general use of such a ready agency of earning-power and social facility?

A Nation Closely Linked

DOES it not lie in the fact that the telephones and telegraphs of Great Britain are government-operated, while in America, with American resourcefulness we have developed a new policy of regulation which protects the general public, but regulation generous and fair enough to attract into this regulated industry this same driving power and resourcefulness which goes into the field of private industry?

It seems reasonable that the same old methods will not be effective in crystallizing public opinion among a people of such intensified communication. Moreover, there cannot be the same type of thought and ideals on which public opinion is crystallized. There must be a new effort to appraise the influence on which our advanced and intensified living standards must rest, and there must be new consideration as to how there can be created the general appreciation which will preserve these influences.

It is increasingly necessary that our people should understand the peculiarly American methods and influences which have achieved the material leadership of America. American living standards neither create themselves

nor maintain themselves, but are the result of stimulants in our national philosophy which must be properly appraised, valued and preserved. The American people are competent to appreciate the story and to value the underlying influences. Moreover, there is much to fix the American imagination on the fact that this political experiment of a free people is timed with the evolution of the service of power energy to the processes of industry on which our whole material achievement has been erected.

In 1782, when this Republic was recognized, the total wealth of the world after forty centuries of accumulated effort had reached the estimated aggregate of \$100,000,000,000. In the 142 years next succeeding the estimated wealth of the world has risen sharply to \$1,000,000,000,000. That period of increased wealth creation, the aggregate of individual possession and attainment, marks also the era of man's mastery over the power secrets of nature, beginning with the discovery of steam generation in 1781.

Manifestly, the crude power aids of that forty centuries, the windmill, the tide mill, the water wheel, provided only a narrow margin over the bare requirements of existence. Manifestly also, the enlargement of each worker's productive effort by the power appliances of recent years has greatly stimulated the margin of productive accumulation beyond living requirements. Manifestly also, this increased margin of production has been the basis of the steadily widening equipment of the American home.

A few items of comparison between 1781, before the harnessing of steam to enlarged human effort, and 1923, tell this story of productive capacity so clearly that every school child may comprehend its service.

Gain in Production Per Man

THE PRODUCTION per day per man in standard necessities runs from 1781 to 1923 as follows:

In iron the production rose from 500 pounds to 5,000 pounds.
In lumber, from 100 feet to 750 feet.
In nails, from 5 pounds to 500 pounds.
In shoes, from $\frac{1}{4}$ pair to 10 pair.
In coal, from $\frac{1}{2}$ ton to 4 tons.
In paper, from 20 square feet to 200,000 square feet.

Or one may visualize how impossible of attainment the present vast complex and perfected social progress of America would be, except for successive advances in invention, in industrial methods and practices, in social and living facilities, carrying forward continuously the economy of human effort, by picturing the transportation of today resolved back to the methods of early days. For example, the class-one railroads of America attained last year a movement of commodities aggregating 423,000,000,000 ton miles with 1,800,000 employees. This volume of goods, moved under the transportation methods of 1781, would have required 70,000,000 drivers and 140,000,000 horses.

Behind this record of increased production per worker and thus the vast enlargement of articles to divide among the homes of America and to swell the individual possession and use, lies the whole justification of America's industrial philosophy. Our whole national history shows that this increased production per worker does not release workers to unemployment, but that this method stimulates the expansion of old industries and the establishment of new ones with a security of earning opportunity for every worker.

In the past it may be fairly charged against business leadership that it has not properly

presented to public opinion the reasons for some of its most earnest convictions. The American public can easily visualize that whatever influences check the trend to increasing production per worker in all lines of human effort would constitute a social injury that limited the attainments of American living.

This conviction, and not solely a profit motive, lies behind the demand of individual employers and organized business for the methods of the open shop in industrial relations. Closed-shop methods have often by rules restricting effort and output checked this progress which lies at the very foundation of American living standards. American business leadership must carry this story to public opinion, and there is already clearly a better general understanding of these economic laws.

Motives Are Altruistic

IN THE same way organized business must make clear that its opposition to government ownership and operation in the field of private effort rests on the same profound truth that this advance in living standards and human opportunity is checked and undermined when the lethargy of government politics replaces the driving force of private initiative and private enterprise.

These are profound truths which the American public is perfectly able to comprehend when presented by logic and conviction. Too long organized business has allowed itself to be represented as holding these opinions solely in the selfish protection of business earnings, instead of making clear that on these truths rests the whole field of opportunity for coming generations of American youth.

The Chamber of Commerce of the United States holds profound convictions on these essentials for the healthful conduct of industry and its continued advance. It has adhered with fidelity to its early ideals of accurate information, fair and uninfluenced study, and energy and courage in defending the field of honest American business.

Turn now from domestic to international conditions. The annual meeting of last year was held on the eve of the departure of the delegates for the International Chamber meeting in Rome. At that gathering were set forth the essential conditions under which reparations and its allied questions must be approached for permanent solution. These resolutions, proposed by the American delegation, were unanimously accepted by the delegates from 26 countries.

At the same conference in Rome, the International Chamber of Commerce selected, as its new president, an American, Willis H. Booth, who has always been an active supporter of the Chamber of Commerce of the United States. Under his leadership a special committee of the International Chamber of Commerce, with again an American chairman, Fred I. Kent, also long an active worker in the Chamber, was appointed with the express purpose of impressing the Rome resolutions upon European public and official opinion.

With this background of the origin of the Rome declarations and the part played by American leadership in enlisting the public opinion of Europe there is especial gratification in the fact that before the year ended, the interested countries had arranged a study of the economic questions involved and a recommended course of action for their permanent solution.

It is a matter of further gratification that in prescribing the field of work for this committee of experts the French Premier cited the Rome resolutions as a guide.

As a result of these successive steps there

have just been completed a three months' study in Europe by business leaders of the interested countries and a presentation of a plan which promises a permanent settlement. At this moment this plan seems acceptable to all the countries interested, both victor and vanquished, creditor and debtor, and seems so complete and logical that it does promise that the five-year instability in Europe, greatly retarding the progress of the world, may now be resolved into the conditions of stable peace.

Again it is a matter of national interest and organization pride that three Americans have contributed much in this distinguished world service, Gen. Charles G. Dawes, Owen Young and H. M. Robinson. Two of them are active in the work of the Chamber of Commerce of the United States, and one of them is at present a regional vice-president.

It is a fair statement that, almost without exception today among the countries of Europe, there is notable progress towards that political and financial stability under which industry makes effective the earning power of peoples with all that means to the enlarged area of human security and content. Especially in recent months there have been signs of more stable values in the different currencies, facilitating again the processes of trade and industry. Unemployment has recently distinctly decreased, production has measurably increased, and the spirit and confidence of European industry have improved.

Hastening Europe's Recovery

IT IS quite possible that the same processes which under America's more fortunate stability of industry have shown a constant enlargement of the productive and earning power of the individual worker, will be effective also in Europe. It is quite possible that the apparently discouraging burdens of reparations and debts, national and individual, will by this trend of enlarged earning power be lifted with less distress and in less time than is now generally expected.

In passing it seems proper to record a great regret that so many years' delay, necessary or unnecessary, intervened before there could have been accepted generally in Europe this team play and cooperation between governmental authority and business experience and ability applied to economic questions, for it is quite possible that such cooperation at an earlier date might have shortened the period of distress and suspended recovery in Europe.

The comprehensive transportation study carried on under the auspices of the Chamber during the past sixteen months marks a forward step in methods of consideration of important public questions by the business community. The participation of representatives of agriculture and labor, as well as commerce and industry, in the Transportation Conference and its committees; the continuous publicity of the studies and committee findings; the submission of the results of thorough preliminary study to a large representative conference of wide geographical distribution; and the final review of all these recommendations by a business men's committee distinctively representative of the shippers' interest in the National Chamber—these steps have assured the development of a program in which every element has been fully ventilated and valued. The current influence of these studies in crystallizing a sound public opinion, setting to rest the ghost of government ownership, promoting a fair attitude toward the carriers, lending them confidence in a splendidly executed program of reequipment and improvement of service, have a significance difficult to fully evaluate.

"Business in Government" at Work

By Gen. HERBERT M. LORD

Director, Bureau of the Budget

THE United States Government came out of the World War with an indebtedness of \$25,500,000,000, which, by August 31, 1919, had increased to \$26,500,000,000. It was evident that something must be done at once to curb the rising cost of government in times of peace. At this juncture Congress provided a budget system for the Government in the Budget and Accounting Act which was approved by President Harding June 10, 1921.

This act placed squarely upon the shoulders of the Chief Executive, as the head of the Government's business organization, the responsibility for presenting to Congress estimates in detail of the amount of money that would be required to carry on necessary federal operations.

It required also that he should support this budget with a statement of the prospective government receipts; and if the proposed expenditures exceeded the expected receipts, that he should recommend to Congress measures to be taken to provide the additional revenue needed.

It also required him, if the expected receipts showed an excess over proposed expenditure, to recommend to Congress what disposition should be made of the expected surplus. In compliance with this provision of the law, President Coolidge in his message submitting his annual budget December last, recommended a program of reduction of taxation which is now before Congress.

The Budget and Accounting Act gave the President as an agency to prepare the budget the Bureau of the Budget, with a director at its head, who is the managing director of the routine business organization of the Government.

Prior to the enactment of this budget legislation no serious attempt had ever been made to control federal estimates and expenditures with a view to balancing the budget. Today the entire program is based on the principle that expenditures will be kept within revenues. Under the direction of the President the Bureau of the Budget has succeeded in materially reducing the cost of federal operation.

Three years ago of the entire cost of government in this country 60 per cent was properly chargeable to the Federal Government and forty to the state and municipal governments. Today 40 per cent represents approximately the proportion of expenses chargeable to the Federal Government and sixty to the subsidiary governments.

One feature of the new budget procedure that is attracting attention not only in this country but in other countries is the custom of holding semi-annual meetings of the personnel in Washington who are directly concerned with estimating for and the obligating and expending of government funds. A meeting is held shortly after or near the close of each fiscal year and another meeting some time in January of each year.

These meetings, which are called by the director of the Bureau of the Budget, at the direction of the President, are attended by the members of the Cabinet, heads of the independent establishments, and make up a town meeting of approximately 1,500 people. At these meetings the President, as the head of the business corporation, presents to his board of directors his financial policies, and is followed by the director of the Bureau of

the Budget who, in more detail, outlines what has been accomplished and plans for future operation.

At the meeting which was held June 18, 1923, which was the last meeting presided over by President Harding, two great policies were outlined. One had to do with expenditure for the fiscal year 1924, for which appropriations had been made; and the other treated of estimates for the fiscal year 1925, which the law required should be submitted to Congress the first week in December, following.

The various departments and establishments had estimated that they expected to withdraw from the Treasury and would expend during the twelve months from July 1, 1923, to June 30, 1924, \$3,668,000,000. The estimated receipts from all sources totalled only \$3,638,000,000. This showed an expected deficit of \$30,000,000.

For that total of expenditures estimated by the departments the money had been appropriated and was available. They could spend it. The only restriction thereon was such control as the President would be able to impose through the Bureau of the Budget.

Setting Up a Standard

PRESIDENT HARDING stated very decidedly that not only would there be no deficit in 1924, but that after setting aside the \$512,000,000 which is to be applied during the year to the reduction in the public debt, all other expenditures, including interest on the public debt, must be kept within three billion dollars. This meant a reduction in their spending program of \$156,000,000.

November 30 a new estimate of expenditures for the year under this policy totalled only \$3,565,000,000, a reduction of \$103,000,000 from the original estimate. A further reduction of \$53,000,000 is required if the policy of President Harding, which today is the policy of President Coolidge, is to be carried out. The reduction in expenditure, coupled with unexpectedly large revenue receipts, has converted the \$30,000,000 possible deficiency estimated at the June 18 meeting to a promised surplus of \$329,000,000 as estimated November 30, so that we lack the spur of a threatening deficit to help us toward economy.

There has been, however, no relaxation of the pressure for savings, and the federal personnel have had it impressed upon them that there can be no higher service at this time than to cut down and keep down federal expenditures. There is one reason for economy in the public service—reduction in taxation.

That the President has been in a position to recommend a program of taxation reduction is due entirely to the reduction of expenditures, sacrifices willing or unwilling, made by the executive departments, as will be shown by the following figures: The total receipts last year were \$4,007,000,000, and we ended the year with a surplus of \$309,000,000. The total estimated receipts for next year, 1925, amount to only \$3,693,000,000.

Although receipts under the present system of taxation would be reduced below the receipts of 1923 by \$314,000,000, the surplus estimated for next year has advanced from \$309,000,000 to \$395,000,000. Despite the fact that there has been a progressive falling

off in revenues, there has been a progressive increase in the estimated surplus, which could only be effected by a reduction in expenditures more than offsetting the reduction in receipts.

It would seem to be a simple matter in the total estimated expenditure for this year of \$3,565,000,000 to effect savings of \$53,000,000. That possibly is the way it appears to the taxpayer, but an analysis of some of the factors that make up that generous total may serve to modify that opinion.

In that amount \$940,000,000 is for interest on the public debt, which cannot be modified; \$512,000,000 is for reduction of the public debt, which is required under the provisions of the Cumulative Sinking Fund Act and other enactments which cannot well be modified; \$688,000,000 is for the veterans of three wars and the dependents of four, which we would not touch if we could for the purposes of economy; and in searching through the more than one thousand pages of the annual budget we find other millions that are not subject to administrative control which help to swell the extraordinary total.

Deducting these large amounts we find that there is less than a billion and a half that is subject to reduction and available for the practice of economy. That billion and a half we are attacking with our most trenchant weapons—coordination and cooperation, which spell teamwork and mean economy.

There are today forty-three departments and independent establishments in the Government. It was found in the early days of the budget that the greatest source of loss and waste in the federal service was the entire lack of coordination and cooperation not only between departments but between bureaus within departments, between divisions in the bureaus and branches and sections within the divisions.

This demanded the setting up of coordinating machinery, which was effected by executive order creating a chief coordinator, and subsequent executive orders establishing under him various coordinating agencies to deal with the larger functions of the Government's routine business.

A very apparent source of waste in government operation was in the field of printing. To meet this need a Permanent Conference on Printing was established, constituting the personnel in the federal service who had to do in their own immediate departments and establishments with this matter of printing. This coordinating agency immediately developed uniform methods that resulted in greater economy, cutting out embossed letterheads, fancy calendars and other expensive and unnecessary printing, reducing the cost of rush work and authors' corrections, and reducing the cost of annual reports, effecting a total reduction for 1923 as against 1922, of \$260,000.

The next board appointed was the Federal Liquidation Board, which introduced business policies into the selling of the accumulation of war munitions. They are just closing out what may very properly be termed the most colossal selling effort in history. The board has liquidated surplus property valued at \$3,691,002,762, for which \$1,282,492,909 has been received. It has transferred between federal agencies supplies valued at \$357,614,823, at a saving of something less than \$100,000,000 to the Government.

There are six other of these coordinating

boards. The Federal Traffic Board coordinates the Government's transportation activities. The Government paid for transportation of its personnel and supplies in 1923, \$141,000,000. This board is systematizing the Government's methods of handling its traffic and has effected great savings. The Inter-departmental Board of Contracts and Adjustments has issued a standard government lease and will soon promulgate a standard government construction contract and supply contract.

The Federal Specifications Board, another one of these coordinating agencies, has issued 135 standard specifications and has committees at work upon other materials which cover practically the entire field of commodities used by the Government. These standard specifications, by cutting out all requirements for special fabrication, are effecting great savings to the Government. Its specification for a specific kind of varnish is saving the Navy Department \$90,000 a year.

The Federal Real Estate Board clears all requests to lease property. No agency of the Government can hire space of any kind without first ascertaining through this board that there is no Government-owned or controlled space available for the purpose.

The Federal Purchasing Board is bringing the Government's purchasing methods up-to-date and in accord with acknowledged business practices. For the first time in history purchases for all agencies of the Government are being made on a consolidated contract, so that we are securing the advantage of the competitive bids on large quantities and the benefit of better prices because the supplies are ordered, delivered and paid for in a definite period in place of a series of small, indefinite transactions scattered over an entire year.

These coordinating ideas as developed in Washington are applied in the field by seven area coordinators also detailed from the federal service. The country is divided up into seven so-called areas, in each of which is stationed one of these area coordinators. Under these area coordinators have been organized 84 Federal Business Associations made up of personnel in the federal service in the larger cities of the country under the direc-

tion of the coordinator for that particular area. They discuss matters of common interest, work out economical procedures and assist the area coordinators in giving the Government the best and most economical use of all of its personnel, talent and equipment in their particular localities.

Under the area coordinators, working through these Federal Business Associations, each Christmas season the Post Office trucks are supplemented by other trucks loaned by other federal agencies, the saving in 1922 amounted to something more than \$60,000 after deducting the cost of operation. This last Christmas the saving was something in excess of that.

In the larger centers government transportation, whether it be trucks, automobiles or launches, or other kinds of craft, are pooled to the extent that the area coordinator, on request from any agency, gets in touch with other agencies of the Government that have such transportation available and have it provided for use so as to obviate the necessity of going into the market and hiring commercial transportation. In this and other ways from September 1, 1921, to November 30, last, the area coordinators effected savings amounting to \$1,518,000.

Saving a Hundred Million

AT THE June 18, 1923, meeting which I have heretofore referred to, President Harding discussed the policy to be followed in the preparation of estimates for the fiscal year 1925, which began with July 1, 1924. President Harding called attention to the fact that exclusive of amounts required for the interest on and reduction of the public debt, and for the Post Office Department, appropriations for the fiscal year 1924, for all other purposes, amounted to \$1,826,000,000. He announced that for the same purposes the estimates for 1925 should carry not in excess of \$1,700,000,000. This was a reduction of \$126,000,000 below what had been appropriated for this current year.

Appropriations for 1923 were \$295,000,000 less than for 1922; appropriations for 1924 were \$116,000,000 less than was appropriated for 1923; while this proposed reduction meant that for 1925 there should be appropriated

\$537,000,000 less than was appropriated in 1922.

In pursuance of this policy, which President Coolidge endorsed and made his own, the director of the Bureau of the Budget called on the various agencies of the Government to submit estimates for 1925, to be in his hands not later than August 1. These estimates totalled \$1,964,000,000, which was \$264,000,000 above the maximum fixed by the President.

The Bureau of the Budget, after extensive hearings and a careful revision of the more than five thousand items carried in these estimates, without taking into account the innumerable sub-items, recommended to the President for 1925 estimates totalling \$1,645,000,000—\$318,000,000 less than the amounts called for by the departments and \$55,000,000 less than the President's maximum. That was the estimate that was submitted to Congress. The total estimates submitted, including the public debt items, but omitting the Postal Service, practically self-supporting, amounted to \$3,018,000,000.

It is very apparent that if, as would have been the case in pre-budget days, the original estimates had been submitted to Congress carrying an additional amount of \$318,000,000, the President would not have been able to recommend a program of reduction in taxation.

The estimates of receipts for 1925 as prepared by the Bureau of the Budget total \$3,693,000,000. The estimated expenditures as prepared by the Bureau of the Budget total \$3,298,000,000, which is approximately \$267,000,000 less than the estimated expenditures for this current fiscal year. These estimated expenditures, of course, will be affected by such legislation as may be enacted which makes further call upon the Treasury, but it is understood that the policy of balancing the budget has been permanently removed from the field of doubt and debate and that whatever the legislation may be as to reduction of taxation and as to legislation that adds additional expenditure, it will be the effort of the Bureau of the Budget acting under the direction of the President, to make such cuts in the expenditure program as will permit a balanced budget and no resort to additional taxation.

The Statesmanship of Business

By Sir ESME HOWARD

British Ambassador to the United States

BUSINESS men generally have a poor opinion of the unhappy diplomatist. I shall never forget, after I passed my first examination for the diplomatic service and felt unusually pleased with myself one kind friend saying:

"I expect you will do all right for that service."

I asked why, and he said:

"Well, I once knew a diplomatist who rose to the highest place. In his youth he had been trepanned in a foreign capital. Many years after he returned there as ambassador and found the surgeon who performed the operation."

"One night they dined together, and over coffee and a good cigar the surgeon confided to the ambassador that during the trepanning he had taken out his brain to clean it and put in cotton wool instead temporarily. He had unfortunately forgotten to replace the brain. He politely hoped that the ambassador had suffered no inconvenience."

"On the contrary," answered the latter, "it has never interfered with my promotion."

That is the sort of unkind story that men

outside our much maligned service used to tell of us at home, but at least it has one compensation, which is that business does not expect too much of us.

I read recently a most interesting address delivered by Willis Booth, president of the International Chamber of Commerce, to the British Empire Chamber of Commerce in New York on the subject of practical international cooperation in commerce, transport, and finance, in which he explained what had been done since the war by international conferences of business men for the reconstruction of the world. He told how that international body had been formed from different commercial and industrial associations in various nations. He informed us how the international chamber had been able to get accepted certain fundamental principles relating to exchanges, by which it was hoped to establish an element of stability out of which

it would be possible eventually to form these elements of credit which will gradually bring back stabilization.

He told us how a Court of Arbitration had been formed in Paris which is now sitting almost daily on disputes arising between traders of different nations due to exchange differentials, abrogation of contracts and confusions of one type or another. This court settles rapidly accounts of very large character which business men bring to the arbitration court when recourse to ordinary courts of law would involve long and expensive litigation.

The International Chamber is also now considering the very vexed question of double taxation, which causes such difficulties to international trade.

It is further cooperating with the Economic Section of the League of Nations in regard to this and other matters, such as the most important one of improving the character of the customs regulations adopted by many states after the Peace of Versailles, which were seriously interfering with the free movement of trade in Europe and retarding eco-

conomic regeneration. They were doing the same thing with regard to communications and transport. In fact there seems to have been no branch of international trading which they have not touched.

At the end of his address Mr. Booth said:

Finally we are going to reach the point where the economic side of the relations between peoples is more important than the purely political side. That is largely due to the fact that the areas of the world have been entirely consumed and the allocating of people largely determined upon so that now they have got to live together, and this question of making them live together is going to be on economic lines.

Now, I confess that this is the first time that I have heard of this work of the International Chamber of Commerce for clearing away difficulties that have arisen in the way of the free course of trade. The setting up of a commercial and industrial arbitration court in Paris to pass on misunderstandings and give interpretations of disputed points of international trade law, seems to me to be an achievement of the highest importance.

But I venture to think that this, good as it is, is not enough. It is necessary in order to establish real confidence and a feeling of security that statesmen, educationalists, journalists and practical men of business should strive to convince the great public all the world over that there can never be recovery and reconstruction of a thorough and abiding kind until all unite to create and to produce the will to peace; to remove the desire for revenge on the one hand and the fear of revenge on the other; and to show that, while accepting the ordinary competition of trade which is a part of the natural order of things, no nation desires to take any unfair and improper advantage of the other.

Trade in War and Peace

IT SEEMS to me that it is especially to the interests of business men that this sentiment should rule. It is often said that international trade is a great peacemaker. It should be, but it has not always been so. Indeed, I think that as often as not, wars have been caused rather by the desire to capture great areas for trade and to monopolize them. We may say the same of the last war, which was indeed engendered by the effort of Germany to obtain possession of the great trade routes of the East, which caused her to clash with Russia for the domination of Constantinople, for the possession of great trade routes must always be one of the main causes of dissension and suspicion.

A probable cause of serious trouble for the world at large has recently been, I hope, prac-

tically eliminated by a conspicuous act of international political cooperation. The countries up to now principally interested in the future of Tangier have lately signed a convention, the object of which is to internationalize that port, which naturally dominates the entrance to the Straits of Gibraltar, and thus to prevent its falling into the hands of any single great power. The negotiations which led up to this convention were arduous and difficult; and it may be hoped that, even if the Statute of Tangier as established by them is not perfect and may require modification, it will do much to further general peace by removing at least one bone of contention.

Removing National Temptations

THE TANGIER convention has probably not received the attention it deserves, because few people outside those directly interested understand the enormous importance of it. It is the first bona fide effort on the part of European powers to internationalize a danger spot, a Naboth's vineyard, and thus to remove temptation from themselves and others.

All those interested in trade and commerce ought to feel gratified at the success achieved by the three powers engaged in these negotiations—Great Britain, France and Spain—because the value to the trade of the world of securing Tangier as an international port with a door into a naval base which might close the free entry and egress of the Mediterranean can hardly be expressed in words.

If business men in various countries understood the importance of the economic future of Russia they would urge some common line of action. That immense country, with its 150,000,000 inhabitants, its vast natural resources and its great waterways, is not going to remain permanently out of business. It is indeed, by a gradual process of evolution in accordance with natural economic laws, returning to normal conditions. But the great question of the future is who is going to help Russia to recover and how is this to be done? In asking this question I do not propose to refer to any particular political action on the part of any government. Now in Russia, if anywhere, there is room for all to help.

Here then is a case where international cooperation is urgently required if one of the gravest problems of the world is to be satisfactorily solved, and it is one in which I think business men of America should be particularly interested. Not only will Russia be, as soon as confidence has been reestablished in her government, a great field for the investment of capital, but also it will be a vast field for young men of energy and brains. It will be necessary to train such men to go there and take hold of business, start factories, set up power stations, build railroads. Something in this direction is already being done in England, but it seems to me important that America also should share in this work.

The training of these young men will take time, and I cannot help feeling that here in America it would be of the greatest value if special Russian courses could be opened at the universities for the study of the Russian language, history and economic conditions. Here is a subject with regard to which America might indeed come to the help of Europe without any dangerous political commitments or entanglements. Here is a work which might even be directed by international cooperation.

For the sake of prosperity generally, it is becoming increasingly clear that all business, whether agricultural, in-

dustrial or financial, hangs together all over the world. Russia can no longer buy Indian tea as formerly, so India cannot buy British cotton textiles to the extent she did. The result of this is that Great Britain cannot buy so much American cotton; and the American cotton growers are hit because the Russians cannot pay for tea; and so it goes on; it is all interlocked. We cannot get away from it—and, therefore, I repeat, these questions of international cooperation for a general reconstruction are of the deepest interest to business men and deserve their closest attention.

There has been, I think, a tendency in this country to believe that in Europe we wished to call on the New World not so much to redress the balance of the Old as to redress its bank balance, and there has been some unnatural resentment on this account over here. To some extent this is true—I will admit it—but at the same time if you look deeper down, you will see that if you do help by reasonable means, as for instance by the cooperation of the American experts in the Paris Committees on Reparations, to restore the bank balances of the Old World, you will be doing yourselves no harm but rather great good, which will be measured not only in terms of bank balances, and these are after all not the greatest things in the world—but in terms of friendship, good will and peace among the nations of the world.

For this cooperation I believe that a good understanding between the two great English-speaking commonwealths—the American Republic and the British Empire—is almost a fundamental necessity. Working in harmony together, with the aim of establishing peace, we can more easily persuade others that the only way to reconstruction is by reestablishing confidence; and the only way to confidence is by gradually eliminating fear and suspicion, which breed hate and distrust.

Cooperation Without Entanglement

SUCH an understanding needs no entangling alliance, it needs no signed documents, it needs no commitments for the future. As the present Prime Minister of England has well said:

America and ourselves—we want no alliance, we want no documents—America and ourselves are in the position of two peoples that in spirit, by reason of those great moral and spiritual forces that are demeaned and narrowed by being written down on paper, are prepared to stand side by side, not in political alliance, but in human fellowship to help each other.

And to this I should like to add, if I may do so without impertinence, "and to help others as well."



Justice for the Trade Association

By Col. GEORGE T. BUCKINGHAM

THE IDEAL situation in any industry, from the standpoint of the average citizen, is that there be produced in any given period approximately such an amount of that product as shall be required by normal consumption.

But those associations which have been most active and most in the public eye have dealt with the distribution side of the business.

The object, and the sole object, of the business man or the business entity who produces goods is to sell them, and sell them at a profit.

Hence the marketing and sale of products is by all odds the most important part of any business.

If more is produced, there will ensue excessive cutting of prices, consequent loss of profits, waste of capital, and all the familiar train of economic evils which come from overproduction.

If, on the other hand, there is underproduction in the aggregate, of that given commodity, there will be inflated prices, undue profit and extortion from the public.

It becomes, therefore, of the greatest importance, first to the producer and second to the consumers, that there should always be maintained, in the aggregate, some sort of approximate balance between production and consumption. That result can be accomplished only by the producers, separated and isolated as they are, being kept constantly in possession, of what may be termed "the statistics of production and consumption."

Brought about by these obvious and logical considerations, the average trade association, therefore, has for its major activity the collection and distribution of trade information, in the form of statistics.

These statistics are, of course, varied and different in different industries; but they relate usually to productive capacity, quantities produced, quantities shipped, stocks remaining on hand. This information is usually reported to the association by the individual members, on blanks provided for that purpose, at intervals, and for periods, daily, weekly, monthly, or quarterly, as the case may be.

When this scattered and isolated information is thus assembled, it is tabulated by the association, also on blank forms, and reported back to the individual producers. Each of them is then in position to know the state of production, shipments, consumption, stocks on hand, and generally the state of the market.

The inevitable tendency of this diffused information is to reduce the curves of overproduction and underproduction and to stabilize the market situation.

The information collected, disseminated and published, by a proper trade association is historical. Whether it relates solely to quantities shipped, produced and on hand, or whether it also relates to sales prices, it describes the past and not the future.

In a proper trade association no agreement on the future action of any member as to production in the future, or as to sales price in the future, is or can be based on such statistics. Each member is and must be entirely free to use his own individual judgment as to his own future acts, and his own future course, unhampered by any agreement.

The association collects and furnishes the member the history of the past month, and the member charts his course for the next month, as he individually sees fit. If that

course is influenced by his statistical information, it is history and economic facts and his interpretation of them which are influencing his acts, and not an agreement with other producers.

And right here I differentiate between the "trade association" with what I conceive to be its proper statistical functions, and those mushroom growths which spring up over the land called "open price" associations and "Eddy plan" associations.

Many of these collected and furnished nothing except price information. In a typical instance each member filed with the secretary a current price list, and agreed not to change his price without notifying the other members of the association.

Such a plan, of course, is tantamount to a general agreement on future prices, and is far removed from the normal and proper collection, publication and use of price statistics.

Many of these "open price" associations came into existence, through professional promoters, whose advice was neither safe nor sound. Some of these professionals maintained an office organization and acted as an "association."

Gathering Data No Wrong

UNFORTUNATELY for the real and genuine "trade associations," many of the earlier cases which have been passed on by the courts, were of this "open price" kind; and others were cases in which the association, although on its face a normal and ordinary statistical bureau, became a mere instrument behind and through which the membership were conducting concerted and illegal activities.

All will agree that competing manufacturers who have gathered and disseminated statistical information have no legal right to enter into agreements to limit production, or to fix prices for future sales.

But it is the agreement to charge a uniform price in the future which is, or should be, the objectionable act, and not the gathering and dissemination of statistical information relating to sales already past.

But, as in every great question, during the time its underlying principles are being gradually aired and elucidated, cases will come to the courts which do not involve these elements of price-fixing, but which will bring sharply before the court the propriety of a trade organization, which in good faith and without ulterior or hidden agreements gathers and disseminates statistics.

It has always been my belief that the law should be that such actions are proper. In the end I believe that it will be so held.

It seems to me that all the people who produce, for illustration, iron, have a right to know, and by mutual and concerted action through a trade association, to ascertain and publish, how much iron was produced yesterday in the United States or in any region, how much iron stock was on hand, how much iron was sold and shipped, and what prices iron was sold for, and where.

It is true that the producers of iron, having such published information, are not by law entitled to agree that next week they will reduce output, or that next week they will all charge \$28 per ton. And they should not by law be permitted to make or execute any such agreements.

It seems to me that such an association of

iron producers differs in no wise in principle from the Board of Trade, which re-

records yesterday's sales of wheat and corn, the estimated acreage, the state of the crops, and all other information which will naturally affect the price of, and the market for, grain.

It seems to me that it differs in no respect from the Stock Exchange, which records yesterday's sales prices of listed securities.

It is true that if there were no Stock Exchange, a man could still sell and buy securities; but the same bond would sell on the same day for one price in New York, another in Baltimore, and a third in Chicago.

There would be an inevitable variation of prices and a blind and unintelligent competition between the sellers and buyers unaided by the information of yesterday's transactions.

It seems to me that the manufacturers of iron, of cement, of wood, of coal, of anything, and the public which consumes these commodities, are entitled to be in the same position as those who buy and sell securities or those who buy and sell grain.

I believe that this view is held by the Department of Commerce of the United States Government, and by most economists who have studied this question. I hope that it will ultimately be held by the Supreme Court.

But I am forced to record the fact that no less an authority than those who are assistants to the Attorney General of the United States and in charge of so-called "anti-trust" prosecutions for the United States Government at this time do not hold this view.

These gentlemen advocate in the courts that the gathering and dissemination of statistics by competing producers, does necessarily have some effect upon the individual conduct and judgment of the competitors, notwithstanding there be an absolute absence of agreement to fix prices, to limit production, or to do anything in the future; that therefore the gathering and disseminating of statistical information, even though it relates entirely to past events and completed transactions, are *per se* illegal.

There have been injunctions entered by some lower courts adopting this view and absolutely prohibiting the gathering and dissemination of statistical information.

Meanwhile the business community is in a state of unrest and uncertainty, while the wheat is being separated from the chaff.

The views I have here expressed are those held by the Department of Commerce. That department has done everything possible to make the trade association the useful and valuable instrument which by rights it should be.

But the Department of Justice, now or very recently, has held the exactly opposite view, that competitors cannot legally and properly compete in the sunlight of known facts; that competitors should compete unintelligently, and in the dark.

It is my belief, however, that this view is an ephemeral and passing incident. I confidently believe that the proper trade association of the present era is here to stay; that those illegal and improper activities which in some instances have been connected with it or have grown up beside it will be weeded out, and will gradually disappear; that the proper outlines and limits of these activities will ultimately become firmly fixed and standardized in business and in law; and that in the end the thing we call the "trade association" will be a powerful instrument for good.



The Fifteen Commandments of Business

By Judge EDWIN B. PARKER

Umpire, Mixed Claims Commission, and Chairman, Committee on Business Ethics, Chamber of Commerce of the United States

BUSINESS has formed and is forming habits of straight thinking and right acting, because they are in the last analysis economically sound habits. Its standards are reflected in the growth and development of the enlightened civilization which it has to a very large extent contributed toward producing. These standards are in no sense experimental. They are not new. But it will serve a useful purpose to collate, interpret, and codify the habits and rules and standards which already exist in the minds of American business men and to construct therefrom a practical, ethical, business platform. A code, or a creed, or a statement of principles of business conduct—call it what you will—is essential to securing approximate uniformity in thought and action amongst groups composed of numerous units. These considerations have influenced the Committee on Business Ethics of this chamber to present a unanimous report in the form of a simple statement of fifteen fundamental "Principles of Business Conduct."

In considering them it is important at the outset to have clearly in mind the function of business. It is essentially creative and constructive in its nature. Its function is to produce, distribute and provide for all the material requirements of man and to increase the wealth of the world and the value and happiness of life.

The successful performance of this function is a high order of public service.

Individual profit is its direct reward. But it is important that the function of business should not be confused with the motives which may prompt an individual to engage in it, just as the functions of the legal, the medical, the educational, the political or the engineering professions should not be confused with the motives which prompt individuals to engage in them.

Where an individual engages in business or enters and pursues the professions of law, medicine, or engineering, if he has ability and employs it unremittingly and efficiently, he may make money; but that is not the reason for, or the measure of, his success.

Business in the abstract, as distinguished from the individual enterprise, must have a basic purpose, which is to provide for the material needs of mankind. The immediate end may be profit to the individual engaged in serving the public. But whenever a business institution ceases to perform the basic function of business, then it is no longer entitled to exist.

Every man owes to himself and to those dependent upon him the duty to earn a livelihood and, where practicable, to acquire a competency. Business owes to no man a living

simply because he elects to engage in it, but only an opportunity equal with every other man to make one—and something more, a surplus, which is wealth.

On the other hand, every man as a member of society whose protection he enjoys, owes to civilization a debt which can be discharged only by increasing the wealth of the world, by putting into life more than he takes out of it, by creating or producing more than he consumes.

It is meet today, as it was 1,900 years ago, that the slothful, who use not their talents but bury them, should, through the operation of economic law, have taken from them even that which they have, further to enrich those who have most and who have demonstrated their capacity and willingness to exercise the godlike power of creating and producing, adding through physical, mental and spiritual effort to the wealth of the world. Wealth, so produced, is property, the title to which inheres in the producer, increasing his capacity further to produce and his corresponding responsibilities to his fellow-man.

No Reproach for Large Operation

WHEN individual gain is a measure of the extent of service rendered, then the greater his gain the greater the value of the individual to the world. Then the term "big business" no longer conveys a sinister meaning, and a great fortune becomes a badge of honor rather than a reproach.

In the early periods of the evolutionary growth of civilization, when commerce was in its infancy, business consisted of personal barter and trade—in the matching of wits in an effort to overreach and secure an advantage. The extent of the activities of an individual was limited to a comparatively small area and as a rule all business intercourse was personally conducted.

It was the exception rather than the rule when two men had numerous transactions with each other. The individual was not prompted, therefore, to establish for himself a reputation for fair dealing and for superiority of his wares.

The rule of *caveat emptor* (let the buyer beware) was the law of business of the Romans. While such a rule may suffice in a primitive civilization, certain it is that no great business enterprise dependent for success on the continued patronage of a vast number of individuals, frequently located in remote quarters of the earth, can be perma-

nently maintained on any such basis. "Good will" has become an indispensable asset in permanent business. Implicit confidence between producers, distributors and consumers is the bulwark of modern commerce. This requires honest

effort and scrupulous accuracy in the representation of the product. The greater the business, the greater its need for confidence in order to endure. Hence the first principle:

The Foundation of business is confidence, which springs from integrity, fair dealing, efficient service, and mutual benefit.

The policy of charging the public "all the traffic will bear" if in excess of a reasonable profit, is unsound in principle; and while in isolated and unusual cases it may bring temporary prosperity, it cannot last, for sooner or later an outraged public will take measures to prevent it. The effort should rather be to sell at as low a price as possible to enable the producers to realize cost, plus a safe reserve, and a fair profit, taking into consideration all elements of foresight exercised and risk involved.

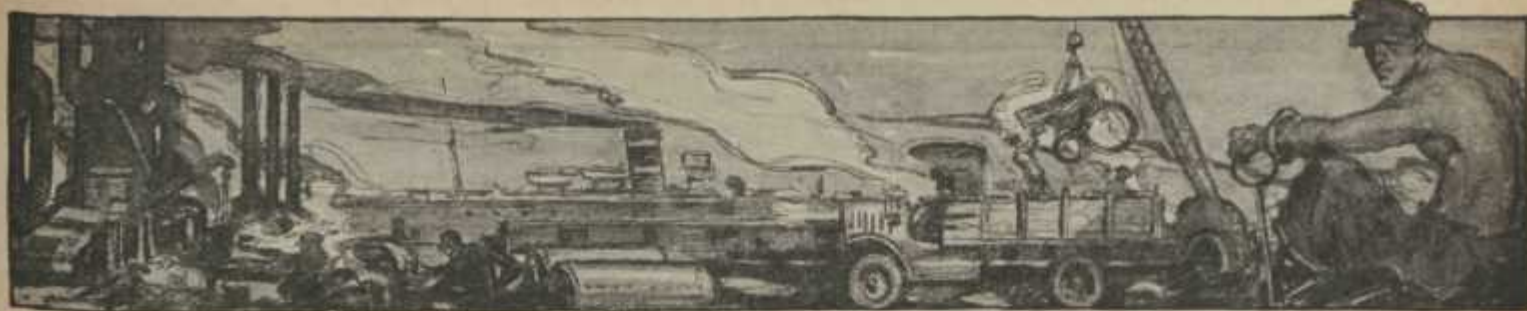
Efficient management and foresight are entitled to reasonable rewards. The risks in business enterprises are diverse for investors, managers, and employees. Losses following from such risks must be borne, not by the public, but by the business taking them, which in turn is entitled to be compensated for the risks taken.

It is in the public interest that a business enterprise should accumulate a reserve sufficient to enable it to continue successfully performing a service notwithstanding adverse conditions, of depression or otherwise, over which it has no control. Therefore, in measuring the reasonableness of returns all of the enumerated factors must be taken into account. Hence the second principle:

The Reward of business for service rendered is a fair profit plus a safe reserve commensurate with risks involved and foresight exercised.

Every business enterprise necessarily utilizes capital, management, the services of employees, and deals with the public. It, therefore, has obligations to capital, management, employees and the public. No business enterprise is entitled to survive, much less to prosper, without discharging its obligations to each of these classes, and enlightened self-interest should prompt each class to deal fairly with all others, because to do so ultimately pays. But when to the gain motive there is added an earnest desire to be of service each to all others, there is begotten a spirit of harmony and cooperation which makes for increased success. From this is deduced the third principle:

Equitable Consideration is due in business



alike to capital, management, employees and the public.

No business enterprise can be safely conducted, in its own or the public interest, on guesses or inaccurate information. It will fall short in the duty which it owes to itself and to the public if it does not constantly improve the service it renders in quantity, quality and in costs. While it should be prepared to take advantage of every opportunity to reduce the costs of its service without sacrifice to those interested in the industry, it must, on the other hand, have such accurate knowledge of its costs that it can know whether or not it is receiving a proper return for its service. Operation at less than cost, if persisted in, not only means ultimate failure with loss to investors and employees, but the public suffers through being deprived of a service and through the demoralization resulting from an operation economically unsound. Hence the fourth principle:

Knowledge—thorough and specific—and unceasing study of the facts and forces affecting a business enterprise, are essential to a lasting individual success and to efficient service to the public.

It is possible for a business enterprise to earn and also serve only if its purpose is permanency and continuity of service, which in turn requires experienced planning and skilled oversight. To such an enterprise the establishment of confidence, good will and a reputation for excellence in service and fair dealing is essential to permanent success. Hence the fifth principle:

Permanency and continuity of service are basic aims of business, that knowledge gained may be fully utilized, confidence established and efficiency increased.

The obligation to employees is not discharged merely through the payment of wages as they become due. Whether in office or in plant, labor of every class—inventive, managerial, and manual—should be so employed that each individual has every opportunity that the business and his position make possible to increase his ability to serve and the value of the service he renders, to himself, to the business and to the public through the business.

The employer is not only interested in problems of employment; but, whether he so will or not, he is interested in problems of unemployment. Not only in the public interest, but in his own interest, he must, in order to create and preserve a permanent organization and avoid the blighting effects of labor turnovers, provide in some form as continuous employment as the needs of the economic field will permit. These are problems which call for the largest and most far-sighted and forward-looking exercise of individual initiative on the part of business men. Hence the sixth principle:

Obligations to itself and society prompt business unceasingly to strive toward continuity of operation, bettering conditions of em-

ployment, and increasing the efficiency and opportunities of individual employees.

Business enterprises are so closely interwoven and interdependent that the ignoring of the obligations of one frequently has far-reaching effect on others. This fact has amongst others established confidence as the foundation of business prosperity and contracts as sacred. Therefore, no obligations should be undertaken without careful consideration, and when undertaken should be faithfully and fully performed regardless of the immediate consequences due to changed conditions or otherwise. While it is a sound rule that no contract is a good one unless good for both parties to it, still the only time to consider its desirability is before it is made. Hence the seventh principle:

Contracts and undertakings, written or oral, are to be performed in letter and in spirit. Changed conditions do not justify their cancellation without mutual consent.

Flowing as a corollary from what has already been said is the eighth principle, that every

Representation of goods and services should be truthfully made and scrupulously fulfilled.

All Share Community Interest

THE INTEREST of a business enterprise is necessarily that of the community of which it is a part. Enlightened self-interest, as well as consideration of public service, will therefore prompt it to exercise economy in all that contributes toward the creation of wealth. To the extent that such economy in capital, labor or materials, is lacking, the fundamental function of business is lacking. The resultant loss is suffered not only by the particular business enterprise but also by the general public. Hence follows the ninth principle:

Waste in any form—of capital, labor, services, materials or natural resources—is intolerable, and constant effort will be made toward its elimination.

In the last analysis, every business enterprise is directly or remotely related to all others, each being an integral part of a vast and complex economic structure of essential importance to the public. It follows that each has a responsibility and a duty to perform toward all others and that all are to some extent affected with a public interest. Hence the tenth principle:

Excesses of every nature—inflation of credit, over-expansion, over-buying, over-stimulation of sales—which create artificial conditions and produce crises and depressions, are condemned.

Every business enterprise should deserve and command success because of the excellence of its own products and service rather than because of the shortcomings or misfortunes of its competitors. Competition in service is always in the public interest.

But the seeking of a business advantage through efforts directed to harm a competitor is unethical and wasteful and will receive the

unqualified condemnation of all right-thinking men. Whatever form such efforts may take entails economic waste and is repugnant to the public interest. Hence the eleventh principle:

Unfair Competition, embracing all acts characterized by bad faith, deception, fraud or oppression, including commercial bribery, is wasteful, despicable and a public wrong. Business will rely for its success on the excellence of its own service.

War is in its nature essentially destructive. Peace is constructive. The weapon of war is force. The instrument of peace is agreement. The issue of discord and strife in business is economic waste. Therefore, sound business policy requires the speedy and amicable settlement of all controversies between employer and employee, between buyer and seller, between producer and consumer, and among all persons whomsoever. Hence the twelfth principle:

Controversies will, where possible, be adjusted by voluntary agreement or impartial arbitration.

It has been abundantly demonstrated that the corporate form of organization makes for efficiency, the elimination of waste, increase in production, and in the reduction of unit costs. An established corporation has a personality all its own. It has character and individuality. It is a composite of the individuals, whatever their rank or station, who control, direct and manage it. The character which they stamp upon it, the color and form which they give to it, the life, the force, the spirit they breathe into it—these constitute its soul.

Individual responsibility is not lost through corporate action, but, on the contrary, is increased in exactly the ratio that the influence exerted through corporate action exceeds that of independent individual action. The primary obligation of those who direct and manage a corporation is to its stockholders. Notwithstanding this, they act in a representative capacity, and in such capacity owe obligations to others—to employees, to the public which they serve, and even to their competitors—which obligations neither they nor the stockholders can escape through the creation of the legal fiction of an artificial person. From the foregoing is deduced the thirteenth principle:

Corporate Forms do not absolve from or alter the moral obligations of individuals. Responsibilities will be as courageously discharged by those acting in representative capacities as when acting for themselves.

Cooperation among business men in promulgating and maintaining sound standards of business conduct, and acquiring and disseminating knowledge essential to the intelligent conduct of business under such restrictions as will prevent abuses, is in the public as well as private interest. Such cooperation has in it no element of external restraint of trade or commerce, which is both economically unsound and unlawful. It may suggest self-restraint based on knowledge, which when

exercised to enable business effectively to discharge its true function is both lawful and laudable.

No creed or code can or should be static. The complexion of an act changes when its application to changing conditions brings a changed result. Therefore, what is ethically and economically sound and legal today may be unethical and illegal a generation hence. While the principles of business conduct which have been put forward for consideration by this Chamber are designed in the main to lay down general principles which theoretically should be static, business men everywhere must keep in sympathetic touch with changing conditions, economic and otherwise, and be ever ready to enlarge or modify these principles if and when required. Cooperation among industrial, commercial, professional and trade associations generally with this end in view is constructive and in the interest of both business and the general public. Therefore,

Lawful Cooperation among business men and in useful business organizations in support of these principles of business conduct is commended.

The growth and development of business and the progress and well-being of society as a whole, demand unhampered opportunity for individual effort and initiative, which is rendered increasingly difficult in proportion to

the increase in government regulation of business. On the other hand, methods and practices designed to secure immediate gains, without reference to their effect on the general public or their ultimate effect on the business itself, sometimes render imperative restrictive and regulatory legislation in the public interest. Business impatiently resents such legislation. The remedy lies in its own hands. It can, if it will, be governed and regulated by its own rules and principles of business conduct enforced by the most effective of all sanctions—a wholesome public opinion—created and fostered by business itself. Therefore,

Business should render restrictive legislation unnecessary through so conducting itself as to deserve and inspire public confidence.

It will be noted that all of these principles of business conduct have their source in motive of ultimate enlightened self-interest. They do not spring, in whole or in part, from the emotionalism or the altruism of the social dreamer who dimly glimpses a distant vision but points us to no road whereby to reach it. Yet when the objective sought is closely examined, it bears a striking likeness to the vision of the dreamer. By different routes the same end is reached.

It is the aim of this statement of principles of business conduct to reduce the ideal to

practical terms. In this statement the trails are clearly blazed. Practical men can follow them. Let these principles be the creed of American business. Let them be an expression of our ideals to be constantly striven for in a practical way every day in the year. Let them be printed and conspicuously displayed in every business office, counting-room and shop throughout the length and breadth of the land, that every man and woman in business may absorb and live them; that they may form the warp and the woof of the great fabric of our nation's business and extend their influence to other lands.

The fact that the final objective may never be reached is no reason why each of us should not keep constantly striving toward it. The fact that some stragglers may drop out of the ranks only emphasizes the necessity for renewed effort on the part of the rest of us. Business has accepted the imperious challenge to correlate and harmonize the conflicting forces in commerce, trade, and industry. That challenge is to the business man, not to the politician, the schoolmaster, the preacher, the lawyer, or the engineer.

These principles simply express the practical idealism implanted in the minds and hearts of successful American business men, and remove the conventional screen which hides it from the general view.

Belgium, Again in the Workers' Ranks

By BARON de CARTIER de MARCHIENNE

Belgian Ambassador to the United States

BEFORE the World War Belgium stood fifth in rank among

your customers in continental Europe, and again today we are fifth in rank, our imports from you last year being over \$100,000,000. I think that you will agree that this is not a bad showing for a small country like Belgium, about one-quarter the size of the State of Ohio and with a population of only about seven and a half million souls—especially after the trying times my country has been through in recent years.

The war put Belgium out of business during four years. We were cut off from the outer world by a ring of German steel. That in itself, with the consequent loss of foreign markets and general dislocation of industry, set us back enormously.

Beyond that Belgium was devastated, thousands of our workmen were deported and maltreated, our machinery was stolen, and our factories were destroyed. Since the armistice, however, by dint of hard work, we have been able to clear away the wreckage, rebuild our manufacturing plants, put our house in order both financially and industrially, and to start business again at the old stand.

The fact that our people have been able to come through this ordeal in such good shape is due in great measure to you Americans. You not only sent us your troops under General Pershing to give the knock-out blow to our common enemy, but all through those four long years of the German occupation, you gave us your sympathy and your moral support, and you contributed munificently to save our civilian population from starvation.

It was a great work, done in a great way, by great men; and foremost among them was another American, the right-hand man of Mr. Hoover, a man whose services to Belgium will never be forgotten and whose high qualities and great ability I know that you all appreciate, for I allude to the president of the Chamber of Commerce of the United

States, Mr. Julius H. Barnes, then president of the Grain Corporation.

The whole-hearted and unselfish devotion of Mr. Hoover, of Mr. Barnes and of their fellow-workers of the Commission for Relief in Belgium, the generosity and munificence of the whole American people, and the spirit of friendship which animated them, have won the undying gratitude of all my fellow-countrymen.

When we emerged from the war we were "somewhat disfigured but still in the ring," and we set about immediately to "mop up" and to put our house in order.

For the first few years it was very up-hill work. In the absence of any substantial reparation payments from Germany we had to go down into our own depleted pockets to get the money for restoration and for rebuilding our plants. Furthermore, as we are largely an industrial and manufacturing nation, we could not produce until the factories had been rebuilt and reequipped. Everything was going out of our pockets and nothing coming in. However, when our factories got going, about 1920 or 1921, the corner was turned, and since then we have made extraordinary progress. Today production in the principal Belgian industries has reached normal quantity and in many instances has gone above the pre-war level.

As our Minister for Foreign Affairs, Mr. Hymans, recently said:

Whereas in 1919, and even as late as 1921, our industries had reached only one-fifth, or one-quarter or one-third of their normal production, the output of our principal industries today has risen above the pre-war level, as, for example, in the production of coal, the manufacture of coke, the metal industries, iron, finished and unfinished steel, laminated zinc, textiles, glass, chemicals, diamonds and many others.

Moreover, we are today paying more

attention to the production of articles of higher price-value.

For example, we are

producing less "spelter" but more laminated zinc. In the year prior to the war the proportion of manufactured articles in our total sales abroad was only 38 per cent; in 1922 it had advanced to 58 per cent, and in December of last year it had risen to 62 per cent.

The most important raw material produced in Belgium is coal. The output of coal in 1913 was 22,800,000 tons, and the production last year was more than that quantity. For this year and succeeding years we expect a large increase in our coal production on account of the development of a new coal field in the eastern section of Belgium which is just entering the productive period.

This new coal field underlies a large area; the coal is of high quality, and some of the veins are ten feet thick, which is extraordinary in our country, where we are accustomed to work small veins. Coal production in this new field, which is known as the Campine district, has risen from only about 11,000 tons in 1917 to over 800,000 tons in 1923. Experts estimate that within a few years the output of this region alone will amount to from ten million to twelve million tons—a 50 per cent increase to our present coal production.

This new coal field is not only in itself a valuable addition to our national wealth, but the presence of this fuel has caused new industries to spring up in this section of Belgium, which heretofore has been comparatively unproductive and which is now becoming a hive of industry. Among the many new plants erected there I may mention a new glass factory for utilization of the American system, known as the Libbey-Owens process. This plant is, I believe, the largest of its kind in Europe; it occupies about 200 acres of ground, of which 38 acres are covered by the plant buildings.

It is estimated that within a few years

this new industrial development in the Campine district will double the present amount of Belgian exports.

While speaking of natural resources, I may add that Belgium has a most valuable source of raw materials in her African colony, the Belgian Congo; and these are being developed very rapidly. Besides the usual tropical products, the Belgian Congo is especially rich in minerals, including gold, copper, tin, diamonds, coal and radium ore.

Wealth of the Congo

WHEAT and cotton are also being cultivated there, and the governor-general of the eastern province of the colony has estimated that within ten years that province alone will be able to ship 100,000 tons of cotton annually to Belgium—enough to supply all the spindles of Flanders. The Congo gold is mined chiefly by the government itself and is sent to Belgium to be added to our gold reserve in the National Bank of Belgium. The radium ore is also shipped to Belgium for treatment at a new plant in the Campine district; it is of such rich quality and the deposits are so extensive that Congo radium now controls the world market for that valuable mineral.

The Congo diamond fields are being developed chiefly by a company in which Americans are largely interested, both financially and as practical mining engineers on the spot. These diamond fields were discovered only a few years before the war. The production of Congo diamonds in 1913 was only 15,000 karats, but the output has now increased to 300,000 karats or more per annum. These diamonds are shipped to Antwerp, where the diamond trade gives employment to some 15,000 workmen.

One of the very satisfactory features in the recovery of Belgium—and it is also an indication of our industrial activity—is the fact that we have no unemployment problem. All our workmen are busy. The statistics show less than 2 per cent of unemployment, which is less than the normal pre-war amount.

The return to normal conditions in our industries has enabled the Belgian Government to put its finances on a sound basis. In the first few years following the war, before business got on its feet, we had to proceed slowly with taxation. We couldn't impose additional taxes until there was some-

thing to tax—something that could pay taxes and still prosper. Taxation has been imposed gradually and progressively, however, until now the receipts from taxation are eight times the amount of pre-war collections. This has enabled the government to balance its ordinary budget for the current year.

Moreover, the budget estimates have been so conservatively made that, judging from actual receipts since January 1, the ordinary budget will probably show a surplus of about half a billion francs at the end of this year—an amount sufficient to cover certain necessary extraordinary expenditures for workmen's houses and other productive improvements.

At the same time the Belgian Government has consistently followed out its policy of deflation. Not a single bank note was issued last year as an advance of any kind to the government; on the contrary, during 1923 the government reduced its floating debt by 778,000,000 francs and added 175,000,000 to the sinking fund for amortization of the public debt.

Bled by Germany

WE HAVE, of course, been very much hampered by Germany's failure to pay us any substantial amount on reparation account. Nevertheless, as I have already indicated, we have been able not only to "carry on," but to get gradually into better financial condition. In addition to our very heavy indirect losses brought about by the German invasion, our direct material damages amount to about \$3,000,000,000. The amount of reparations awarded us by the international agreements of 1921 was a little over two and a half billion dollars, but up to the present time we have received from Germany only \$345,402,000. That is to say, in five years we have received only 14 per cent of the amount awarded.

Last August, Belgium, in order to arrive at a definite settlement, offered to reduce her claim against Germany to approximately one and a half billion dollars, which is about one-half the estimated cost of our reconstruction and much less than half of the total damage, direct and indirect, suffered by Belgium.

We felt that, in justice, we were entitled to full reparation, but as practical people we were willing to make a large sacrifice in order to get the matter settled and done with

and to know exactly "where we get off." There is almost nothing worse in business than uncertainty. Our suggestion was not accepted at that time, and it was with real satisfaction that we have welcomed the work of the Dawes Committee, which seems to provide a practical solution of the problem.

The Belgian Government has approved the Dawes report, and we are anxious to see it put in operation at the earliest possible moment. The recommendations are particularly pleasing to us in view of the fact that they embody the chief features of the plan which the Belgian Government itself proposed in August, 1923, for the utilization of the German railways and other economic potentialities as sources of revenue applicable to reparations payments.

In the past few months there has been a systematic "bear raid" against both the Belgian and the French franc, and incidentally the "bears" got pretty well torn up. One of the "bear arguments" was that Belgium had an "unfavorable" commercial balance—that our commercial exports were less than our commercial imports. That is quite true, but Belgium has always had a similar "unfavorable" commercial balance, the apparent deficit being more than counterbalanced by the "invisible exchange" arising from the return from Belgian investments abroad.

Commerce "Bulls" Franc

BELGIAN interests and Belgian investments abroad have always been extensive. Nobody will deny that Belgium was prosperous before the war in spite of an apparently "unfavorable" commercial balance; yet today Belgium's visible commercial balance is actually more favorable than in the height of her prosperity in 1913. In 1913 the ratio of Belgian commercial exports to imports was 73.6 per cent, and in last December it was 81 per cent; so our present visible commercial balance is much more favorable than in the prosperous pre-war period and is, in reality, a "bull argument" on the Belgian franc and on the country itself.

Belgium still has some hard work cut out for her, but we believe in the old motto, "Labor conquers all things." In the meantime we want to remind you that we are again doing business at the old stand, and that we have out the sign, "No Interruption to Business Pending Repairs and Improvements."

Cotton, a Social Problem

By ALFRED STONE

THE HISTORY of cotton divides itself into three periods—the slave-labor era, from the time cotton was first grown in South Carolina down to 1865; the period from the close of the Civil War down to 1894, the first year in which the American cotton crop approximated 10,000,000 bales; and the period from 1894 down to the present time.

The second era witnessed the expansion of the state of Texas into a cotton-growing empire itself. It witnessed the final spread of cotton throughout the cotton belt, and 1894 witnessed also the appearance of the boll weevil as the greatest American cotton pest.

The third period has been marked by tremendous fluctuations both in yield and in price. It has been marked by the appearance of very considerable labor troubles and by the development of distinct efforts in the way of improvement in the way of cotton production. The area devoted to cotton has steadily increased throughout that period from 23,000,000 acres in 1894 up to as high as

40,000,000 acres. In 1904 it reached 30,000,000. At the same time the yield per acre has shown steady decrease. For example, during the two decades of this 30-year period—that is, from 1894 to 1914, the average yield of the entire cotton bale per acre fell below 175 pounds per acre only four times. It equalled or exceeded 200 pounds per acre eleven times in that period—that is, during the first 20 years, from 1894 to 1914. From 1914 down the yield has equalled or exceeded 175 pounds per acre only twice, and in no single year has gone higher than 178 pounds.

I am not orthodox on the boll weevil proposition. The boll weevil is not the limiting factor in cotton production by any means. If this were true, it would follow as a logical sequence that final control of the weevil would mean such an oversupply of American cotton as would glut the markets of the world. If

this were true, then the control of the weevil would be a calamitous thing for the cotton-grower instead of a benefit.

We have only to glance at the fluctuations of this crop prior to the appearance of the weevil to see the significance of my suggestion. The pendulum of production swung back and forth before the weevil appeared, just as it will continue to swing after he has ceased to be a subject of discussion. Why, then, should I emphasize this period with reference to insect pests? Because the presence of the weevil lends large additional importance to every other factor in cotton production. With a heavy weevil infestation each of these factors immediately assumes a significance greater than it possessed before.

The most important single factor in cotton production remains what it has always been—that of weather. I have more than once expressed this opinion: that it was entirely possible for the south to produce another bumper crop notwithstanding the weevil.

vil. This is not likely to occur, but it is always a possibility.

From still another angle, the most important factor may be said to be that of labor. American cotton has been so long associated in popular imagination with the negro that its production as a negro function has become one of our most cherished traditions. As a matter of fact, cotton has always been produced by white labor. The proportion thus produced has steadily increased, until today it is well within the limits of conservative statement to say that by far the larger portion of the crop is grown solely by white people.

Cotton a White Crop

AMERICAN cotton production is now passing through a process of labor transformation no particle less vital and far-reaching in its results, even though less spectacular, than was the transition from slave labor to free. It is a movement fraught with large consequences for the American negro, for its ultimate conclusion will determine in what degree his economic life will be revolutionized in the direction of his elimination as an important factor in cotton production. The removal of the negro from rural to urban life, if it should actually take place, would be a social and an economic tragedy of far greater significance to him than to the white man.

Southern fields will still be cultivated. Cotton will still be grown. As the negro moves out, the white man moves in, and never yields the ground thus gained. Such problems and changes wrought out on so vast a scale require the processes of years for their determination. The negro still holds much of his own destiny in his own keeping. But it is an ill-considered view which fails to realize that in the long run cotton production is a far more vital thing to the southern negro than the negro is to production.

One of the most significant facts of the closing years of the present period is a definite and widespread movement in the direction of the marketing of cotton by means of such agencies as cooperative marketing associations. The grower thus enters the field of distribution and ceases to be a producer only. The movement is, of course, still in its experimental stages. Cotton growers are highly individualistic by habit, tradition and environment. If the producer can by this means render a service both to the trade and to himself, the experiment will succeed. If the movement attempts to contravene the law of supply and demand, or if it fails to render the service reasonably expected of it, then will it fail, and properly so.

These cotton associations have thus far, on the whole, been well managed. They

mark a step forward in the problem of distribution. They have been highly endorsed by very many bankers, business men and agricultural economists. They are not in any sense hostile to the manufacturer or other handlers of cotton. In any equitable consideration of the complicated problem of American cotton production they are not clearly entitled to consideration on their merits. Henry Ford is doing his best, or is having it done for him, to throw monkey wrenches into the farmer's cooperative selling machinery, at the same time posing as the original farmer's friend. If his attacks can destroy them, they do not deserve to succeed.

Accurate Data Needed

THE CHAMBER of Commerce, through a proper department of its activities, can render a distinct service to the south and to the country at large. Through its affiliations with local chambers of commerce through the south it could develop a system whereby it could secure accurate first-hand information as to cotton and general conditions in the cotton belt as frequently as need be, and disseminate this information through other parts of the country. Probably in no other branch of American agriculture is accurate information more desirable. Certainly in no other is it more difficult to obtain.

The Blight of the Packers' Act

THE PACKERS and Stockyards Act was advertised as an elixir for such evils as affected livestock production. Results show it to be nothing but a nostrum. In two years all it has accomplished is swelling the national payroll by about half a billion dollars annually. Before its enactment, packers' securities were held largely by small investors, who have taken alarm over the possibility of strangulation by bureaucratic control. And in damaging the packers' credit, vote-seeking politicians have naturally injured rather than benefited producers, the present condition of the hog market reflecting this in no small measure.

The thin edge of the formidable wedge of bureaucratic, which is synonymous with political, domination of all business, is at the present time being entered in the case of the livestock business. If it succeeds, other businesses will be enmeshed, the evident purpose of the bureaucrats being to attack each in turn.

The pending investigating of the purchase by Armour of the Morris physical assets is another evidence of the activity of bureaucracy and also of waste of public money. Elimination of the Morris concern as a competitor in the livestock market was inevitable

By JAMES E. POOLE

Associate Editor, Breeders' Gazette

at the time Armour acquired its physical assets. That transaction really averted serious disorganization of the whole packing industry which would have exerted a kick-back on producers of livestock.

The Attorney General declined to take the matter into court, realizing that no cause for such action existed; but the incident afforded an opportunity for bureaucracy to disburse more public money. Despite the findings of the Secretary of Agriculture, they can have no effect on the so-called merger.

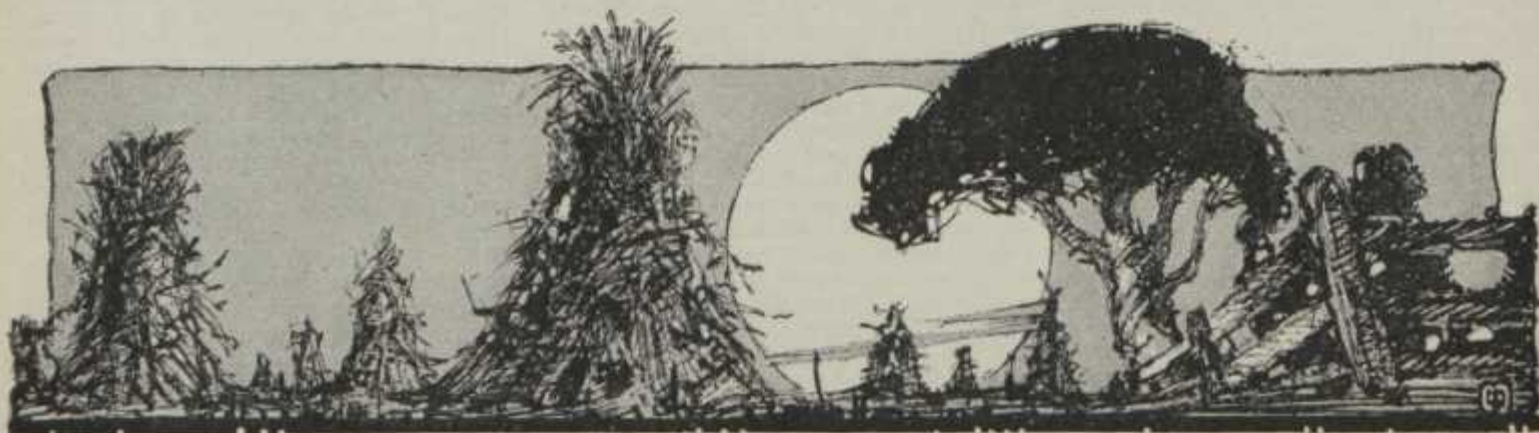
An effort is being made to create an impression that such financial necessity as made the Armour-Morris transaction inevitable, if not beneficial, to the whole industry, was in reality extension of a monopoly, whereas a monopoly in the packing business is neither conceivable nor practicable; if it had been such reorganization would have been effected long ago.

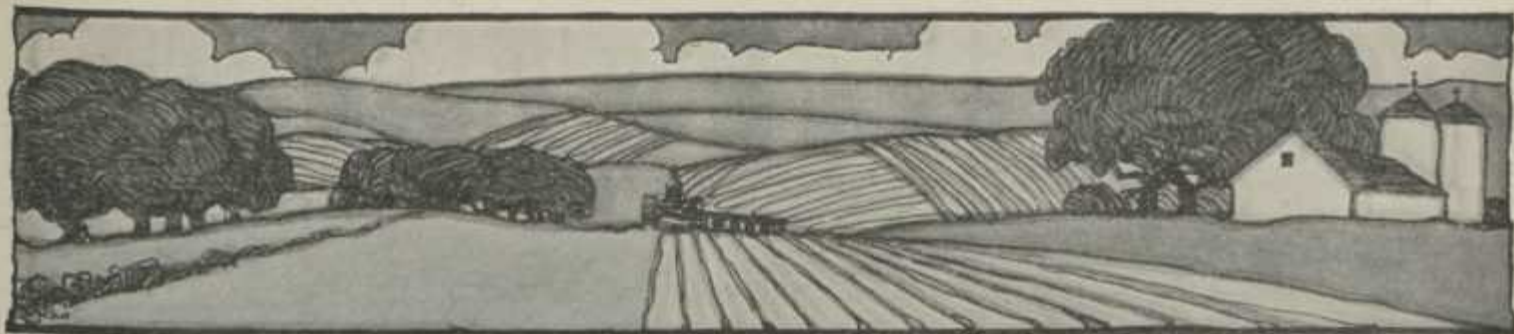
It is a statement not open to contradiction that under present market conditions livestock producers possess not only more com-

petition than ever before, but actual competition. Mendacity has been resorted to by an opportunist element seeking control not only of the markets but of livestock producers to impair or destroy confidence in the market system. These opportunists have conceived a scheme to place the livestock producers of the United States under contract for a period of years, giving them complete control of the selling phase of the business. That the sound sense of producers will defeat consummation of this conspiracy need not be asserted.

The livestock business has passed through the canyon of depression and is climbing to the heights of prosperity, which it will reach provided it escapes the traps baited by bureaucrats, opportunists and politicians, imbued, consciously or otherwise, with ideas and theories propagated in Russia.

At this stage of the industry the livestock business has everything to lose and nothing to gain, by countenancing any scheme to restrict or impair its marketing, processing or distributing facilities. And let me warn you that if this great industry should become dominated by bureaucracy, other business will eventually be reduced to official satrapy.





We Must Stop Exporting Wheat

By Dr. W. M. JARDINE

President, Kansas Agricultural College

WHEAT was one of the crops production of which was greatly stimulated during the war period from patriotic as well as selfish reasons. Before the war the normal acreage planted to wheat in the United States was around forty-seven millions. It reached a peak of seventy-five million acres at the close of the war. During the last two years, however, this acreage has been reduced. In 1922 it was reduced to sixty-two millions, and in 1923 to fifty-eight millions; and it will probably not exceed fifty-five millions for 1924. Within two more years I hope it will not exceed fifty million acres, which will take care of our home needs.

Tariff Now No Help

OUR WHEAT problem will be eliminated when we cease to be an exporter of wheat in competition with such new wheat-producing countries as Canada, Australia and Argentina.

Then, and only then, will our forty-two-cent-a-bushel tariff wall work in the interest of all the wheat producers. At the present time the farmers who produce the wheat containing a high percentage of protein are getting the benefit of the tariff because we are producing less high-protein wheat in the United States than is required to fill home demands; hence high-protein wheat is on an import basis.

Our exportable surplus consists of soft, semi-soft wheats and low-grade hard, winter wheats. They must be sold on the world's market in competition with Canada's excellent wheat and Australian wheat, also with Argentine wheat, wheat that is being produced at less cost because of cheaper land, cheaper labor in some cases, lower production costs and cheaper transportation.

We have passed the day in America when we can grow wheat for export in competition with these countries and the sooner we turn to the production of other crops, the better it will be. Fifty million acres properly prepared, planted to good seed and properly cared for in the harvesting and marketing, will make wheat-growing profitable in the United States and at the same time supply our domestic need with the kind of wheat demanded in the trade.

Canada, Argentina and Australia have an almost unlimited acreage and virgin prairie soils adapted to wheat production, and for many years to come will be able to produce an ample world's supply of wheat. Our only hope is to cease to be an exporter of wheat.

The farmers are filled up on advice from the outside. They only want to be let alone to work out their own problems. They would like business men and others who have been

strong on advice the last few years to turn their attention to working out a plan whereby the farmer may purchase a plow, a set of harness, a binder and other implements and supplies at a cost commensurate with what he is able to get for his wheat. They think that the business men could accomplish a great deal along this line if they would go at it seriously.

The farmer believes that he has not been getting a square deal, and I believe he is right. He has had to pay too much for the things he has had to buy. He realizes, of course, as we all realize, that the cost of labor is a large element in this high price; that labor, being approximately twice as high as it was before the war, naturally makes transportation costs high, clothing high, and farm machinery high. He is wondering how long this can last.

He is hopeful that it is about over. Personally, I think that inside of two years it will be over and that the farmer will come into his own and that the disparity between the purchasing power of a bushel of wheat and the cost of the various articles a farmer will have to buy will be considerably less than it is today.

I do not think that the farmer situation is going to be helped through such legislation as is proposed in the McNary-Haugen measure which is now before the Congress for disposal.

No Demand for Charity

THEY are not asking for charity. They want a square deal. They want our business men and our legislators to make it possible for them to buy the things they need in the operation of their business at a reasonable cost, and they will do the rest. The McNary-Haugen measure, in my judgment, is a very unsound, unsafe measure to be enacted into law.

Generally speaking, I believe that the demand for this measure is not coming from the substantial farmers of America but from the distressed merchants and bankers and farmers who are attempting to grow wheat under unfavorable conditions.

The plan embodied in the McNary-Haugen bill is said not to be price-fixing, yet it provides that the Government buy the farm surplus until the price reaches certain ratios to an "all commodity index." The Government thus determines the ratios and consequently the price.

The effect of operation of the measure will be to pyramid prices, increasing the cost of manufactures. Thus exports of non-agricul-

tural products would be curtailed, large imports would break over the tariff wall, and a serious wave of unemployment would be created.

This would reduce the consumption of agricultural products, and we would be lucky if we escaped a general panic. And in such a situation the farmer, as usual, would be worse off than anyone else. The plan would stimulate production, when what agriculture needs is not more production, but less.

Scrip Invites Corruption

THE SCRIP system proposed in the bill would mean fiat money, and the scrip, hawked back and forth, would lose its original value, resulting in a loss to the corporation of the fee provided. An army of 50,000 men would be needed by the Government to prevent illegal trading in this scrip.

The plan plunges the Government into the most gigantic business known in history. How are the brains to be found for its direction? Has the experience of the Government in business during the last ten years given any warrant for belief that government officials have the skill to conduct such an enterprise and to prevent corruption?

There is a measure now before Congress which proposes to create a federal marketing board. It was introduced into the House by Mr. Williams, of Michigan, and into the Senate by Mr. Capper, of Kansas. I have examined this measure critically; and I have had others, in whom I have confidence, examine it carefully; and I think it to be the soundest proposal that I have had the opportunity of examining for the assistance of agriculture.

It proposes for agriculture a type of governmental action which is being successfully taken for other interests by several analogous agencies, such as the Interstate Commerce Commission, the Federal Trade Commission, the Federal Reserve Board and the Federal Land Bank.

The intent and purpose of the act is to create a federal marketing board which would function for farmers, cooperatives and other organizations handling farmer products, as the Federal Reserve Board, and other bodies function for the industries which they represent.

The bill does not inject the Government into business. The bill provides primarily for governmental action which will serve chiefly to encourage and safeguard intelligent and business-like procedure in cooperative marketing of agricultural products. In my opinion it helps to set up market machinery that will enable the farmers to engage in commodity marketing in a fair, high-class and unobjectionable manner. It deserves the serious consideration of every business.

Where the Law Touches Business

By CURTIS D. WILBUR

Secretary of the Navy

THERE has been during the last twenty-five years, and particularly during the last fifteen, a change almost revolutionary in character in our attitude toward certain governmental problems and legislation dealing therewith.

We have had manifestations of this change along such lines as school laws, laws dealing with taxation, juvenile court laws, laws relating to treatment of the criminal, the insane and the indigent, workman's compensation and similar laws dealing with the relationship of employer and employe, and laws regulating public utilities.

I have no desire to enter into the history of all these various developments, but to confine myself more particularly to two or three instances which strikingly illustrate the modern tendency.

The workman's compensation laws, now well-nigh universal, resulted from a conviction that the common law rules concerning the responsibilities of employers to their employes were not just. Responsibility of the common law was based upon the negligence or wrongdoing of the employer. The defenses of assumed risk, negligence of fellow-servant and contributory negligence excused the employer from the results of his negligence and wrongdoing. Workman's compensation laws were framed on the broad theory that the industry in which the accident or injury occurred should bear the burden of compensating the employe.

The effort to express this idea has resulted in legislation modified and amended from time to time to meet judicial decisions and unforeseen conditions. Out of this legislation, based upon this effort to do justice, several distinct and far-reaching results have already accrued.

Spreading Accident Costs

FIRST, the new liability, founded upon the new theory, is coupled with the requirement that the employer insure himself against the hazard of industrial accidents. The effect of this has been to spread the liability over the whole field of employment rather than to place the burden upon the individual employer. This burden is, in turn, placed upon the consumer by the increased cost to him of the product.

The most notable changes, however, are in the method of adjudication of the liability and the amount thereof. This is usually left to a commission of laymen whose results are only reviewable by the highest judicial authority in the state, and then usually only on the questions as to whether or not there is sufficient evidence of the employment and of the injury to justify the finding of the commission.

This plan also involves a very great change in the whole theory of liability in that the employer is no longer called upon to reimburse the employe to the full amount of his loss but is only required to make payments of amounts expressly limited by statute, so that while the industry bears the loss, a fair share of the loss is also borne by the employe. It is obvious that this plan is susceptible of further expansion in the field of railroad and other accidents now inevitably resulting from modern conditions.

From the standpoint of administration the most radical innovation in the workman's compensation laws is the establishment of a court of laymen with a legal adviser, which not

only receives the evidence of witnesses proffered by the parties, but also makes independent investigation to ascertain the facts and employs experts upon whose testimony they rely in reaching their conclusions about them.

They are also, in most states, authorized to employ an attorney to define their decisions when attacked in the courts. Thus the injured employe receives the entire award if he is finally successful without being called upon to pay large costs and attorney fees to secure the result. Some statutes expressly provide that industrial accident commissions may receive and act upon hearsay testimony. Another significant movement in connection with this problem of workman's compensation is the establishment of a governmental agency to reduce the number of accidents so that the Government is acting along the lines of prevention as well as cure.

Determining Proper Rates

THE NEXT field in which the modern legislative tendency has been most manifested is in the establishment of agencies empowered to regulate the rates charged by public utilities. These commissions are clothed with great powers, and they exercise both judicial power in the ascertainment of the facts and legislative power in the establishment of rates based upon those facts.

The powers of these commissions have been greatly broadened to cover the actual regulation in the operation and construction of public utilities and the supervision of their financing. Recently the railroad commission of California ordered the construction of the Union Depot in Los Angeles to cost forty million dollars. The decision order was set aside by the supreme court of that state upon the ground that it invaded the jurisdiction of the United States Interstate Commerce Commission as defined in the federal laws enacted for the regulation of interstate commerce carriers. This decision has been sustained by the Supreme Court of the United States within the last two months. I have not examined the latter decision, but I understand that the question whether or not so large an expenditure of capital could be required under the Federal Constitution prohibiting the taking of property without due compensation, was not passed upon.

Pursuit of Facts

FOR THE purposes of this paper, however, I am more concerned with the fundamental ideas embodied in the legislation concerning these regulatory commissions, national, state and municipal. The system of ascertaining the facts is entirely different from that used in our courts. These commissions usually employ a large force of expert engineers, lawyers and subordinates. They pay little attention to the ordinary rules of evidence or the methods of procedure laid down for courts, and yet they determine the most vital questions involving the rights of citizens; and, having determined those rights, they are, in most jurisdictions, authorized to employ attorneys to defend their conclusions in the courts.

Here again we have the astonishing spectacle of an organization, virtually a court, au-

thorized to defend its decisions at state expense. This method of adjudication of the rights of parties at public expense has not so far found expression in ordinary judicial processes unless we except the small claims courts dealing with claims of less than \$100.

The workman's compensation law and the laws establishing regulatory commissions for public utilities are well established in our judicial and legislative systems, but the results upon our whole system of government and particularly upon the procedure and organization of our courts are still undetermined nor are the utility and permanence of these courts fully established as a part of our system of government, for the reason that our history shows that wherever large power is located, there has always been an attempt by the bodies most interested to secure political control of those agencies.

These agencies, now under education, were established as a result of a popular movement and express the determination of the people to control the political and economic operation of public utilities, but these agencies and extraordinary powers may be used to oppress the people if the agencies exercising these powers come to be politically controlled by the utilities they were originated to control.

So determined were the people of California to free themselves from the political domination of the Southern Pacific Railroad and allied corporations that they passed legislation and enacted constitutional amendments providing in direct terms that the legislation pertaining to these organizations should not be subject to any other provision of the Constitution.

Threats at Foundation Stones

THIS extraordinary pronouncement was, of course, modified by the Federal Constitution prohibiting the taking of property without due process of law and also was given a reasonable interpretation by the courts of the state, thus mitigating the difficulties which might have resulted from the decision of a partisan commission favoring for one class of citizens against another.

There is at present a movement directed toward an amendment to the Constitution of the United States restricting the powers of the United States Supreme Court to declare a law unconstitutional. It should be made clear that any amendment vesting absolute power in Congress, or permitting a decision by a minority of a court, really destroys our present constitutional form of government, because it destroys the authority of the Constitution.

The English system of absolute power in Parliament is no precedent for such a course for us, for they have an hereditary House of Lords and a tradition recognizing custom and precedent so strong as to be in effect an unwritten constitution. With us both houses of Congress are elected by popular vote, and for short terms only.

The amendment proposed, if it does not destroy the Government would at least substitute a system by which Congress could, in effect, amend the Constitution by a majority vote of both houses, instead of the present system by which a two-thirds vote of each house and of three-quarters of the states is necessary to effect such a thing.

My conclusion is obvious; namely, that we have come to a period when we should carefully digest our legislative, constitutional and

statutory changes; when the best thought of our citizens should be devoted to the problems created by this new legislation; and when further legislation should be directed in the main to rectifying obvious defects in existing legislation and to that required to carry on the functions already assumed by the Government. I consider myself a progressive and have yielded my full measure of devotion to reforms, but I have a reasonable conservatism based upon judicial history and experience and realize that the nation has made such vast strides in governmental matters in the last two decades, that considerable time will be required to digest fully the changes already made.

The enfranchisement of woman has doubled the voting population. The extension to woman of the right to serve on juries in some jurisdictions has profoundly affected the administration of the law. I personally believe

that in both instances there has been marked progress. It is obvious that the fears and forebodings of the ultra-conservative have been entirely without foundation, but it must also be recognized that the changes, sweeping and radical, and affecting the whole processes of government, cannot be fully developed in a day or a year.

I am not at all in sympathy with the glittering generality that we have "too much legislation." We might as well complain that we have too much life, for it is life that requires legislation. The volume of legislation results from the multiplicity of governmental activities; the subdivision of such powers between the nation, the state, county, and municipal governments, the complicated election machinery necessary to secure the free expression of every voter and a fair count of the vote; the regulation of the machinery of government necessary for the maintenance of the

nation and its defense; and the regulation of public utilities.

It should be stated also that there is a growing tendency to appeal to the legislature, rather than to the court, to declare the law in case of uncertainty. This tendency is revolutionary; but it seems to be wise, for after all, the legislature is the law-making power; and if its statutes are uncertain, it should be willing and ready to make plain such uncertainties rather than to leave such determinations to the courts in litigation between parties who may not be particularly interested in the solution of the problem but who nevertheless involve the question in their litigation.

It is clear, however, that there should be a great caution in legislation directed toward the correction of such uncertainty. Legislators are feared not so much for what they do as for what people fear they will do.

A Step Forward for Europe

By BASIL MILES

American Commissioner to the International Chamber of Commerce

THE TWO committees of experts named by the Reparations Commission to consider Germany's ability to pay completed their inquiries in Berlin about the middle of February. On their way back to Paris one of the technical advisers remarked that he could not feel very optimistic about the success of their efforts when he recalled that this was about the fifteenth conference with which he had worked in an effort to devise a solution of Europe's problems.

The Brussels Conference in 1920, the Geneva Conference of 1921, and the Conference at Cannes in 1922 have been only some of the milestones along a road which hitherto has led nowhere. It is on this account that the favorable reception of the Dawes and McKenna reports has been heralded so loudly. The net result is that too many people, especially in this country, have been tempted to believe that it was all over except the shouting; that the reparations problem was at last solved.

The conclusions arrived at by the experts are no panacea. They do not pretend to solve Europe's difficulties. They do, however, offer practical means to strengthen the most dangerous weakness in the economic world today. It is, therefore, evident that the plans are not merely a first step, but if put in effect will constitute a great stride along the road to the restoration of general prosperity.

There are some today who are still pessimistic as to the success of the experts' reports. These reports, to achieve their full effect, require not only adoption by the Reparations Commission but also by the allied governments. This is requisite for a number of reasons, but primarily and principally because the reports are predicated upon the complete restoration of the fiscal and economic unity of the Reich, and upon the hypothesis that Germany's economic activity will be unhampered and unaffected by any foreign organization, military or otherwise, except the controls which the experts themselves recommend.

It is evident that this means first of all the abandonment by France and Belgium of the economic control which they now exercise in the Ruhr. The occupation of the Ruhr has been bitterly attacked as economic disaster. Important authorities have declared it was illegal. It cannot be denied, however, that the occupation of the Ruhr gave rise to Germany's passive resistance;

that this passive resistance was characterized by subsidies to the workmen of the Ruhr which accelerated the inflation of the German currency to insane proportions; that the final destruction of the German currency produced conditions so intolerable that the Germans for the first time started a house-cleaning which, for the moment, has produced results which are healthy beyond all expectations.

It is a political problem in which governments are primarily interested, as to how the French and Belgians can effectively and safely retire from the successful advance position they have taken.

Recognizing French Rights

NO SUMMARY of the European situation can properly ignore the question of French security. It is well known that at the time of the armistice the French military leaders insisted that the future security of France could only be guaranteed by moving the frontier to the Rhine. They were finally reconciled to the existing temporary occupation of the Rhine provinces by the promise of the so-called three-cornered agreement between Great Britain, France and the United States guaranteeing the French against aggression. While this agreement was in suspense, and even for a time after it fell through, the French fixed their attention primarily upon payment of reparations. In the last two years, however, their attitude has changed, and the Belgians for the most part have followed them.

As the prospect of British and American support gradually vanished, the French became more and more concerned with the problem of their future security. They wanted reparations, of course; but their principal concern became more and more definitely the question of their future immunity from attack. The French are perfectly aware of the fact that they have practically a stable population of forty millions, whereas the Germans have a population of sixty millions, which is increasing steadily by five to seven hundred thousand a year, and, furthermore, have an industrial capacity very much greater than that of France.

It is therefore logical to expect that before accepting any plan such as that proposed

by the experts, the French will scrutinize it closely to see how it may bear upon the problem of their future security. This has proved already to be the case, and is one of the most important factors bearing on the prospect of acceptance.

To those whose optimism is based on a hopeful understanding of Europe's difficulties, the prospect seems good. The plans proposed by the experts, while cautiously elaborate and specific in detail, are fundamentally simple in principle. Based on the conviction, arrived at after a first hand study of the facts, that Germany is (in a purely material sense) an industrial country of enormous potential strength, the experts ask that the German people assume a burden of taxation, payable in a stable currency, which will be commensurate with the burden of taxation already assumed by the people of the allied nations who won the war.

These business men have concluded that the German people, once the poison of inflation has been eradicated, can bear a very considerable tax burden. They are further convinced that German industry as a unit can bear a very considerable burden of taxation. They are convinced that the German railways, which have operated at a loss since the armistice, are in admirable condition and can be operated at a profit. From these three sources of revenue, namely, from the general budget provided by reasonable taxes, from a tax on industry, and from the profits of the railways, they conclude that the German Government can in five years show a regular profit balance.

The experts themselves outline ways and means for this profit balance, once established, to accrue to the credit of the allies in payment of reparations. They have gone on the obvious hypothesis that no debtor can pay his debts while the normal operations of his business show an increasing daily deficit. As a preliminary measure to finance the new bank of issue and deliveries in kind, an international loan of \$200,000,000 is planned. It is not, perhaps, true to say that the experts propose to put the German people in the hands of a receiver, but they have realized that a business organization threatened with complete bankruptcy requires tangible and healthy assistance in order to get on its feet again.

For this purpose it is vital that Germany should have a stable currency, and it is equally evident that no currency in Germany

can remain stable without some permanent assurance of a balanced budget.

However simple in principle, no plan of such a comprehensive character could be evolved without meeting criticism in various forms and from various sources. Already it is evident that some critics hold that the annual payments due from Germany in a standard year—that is, commencing the fifth year—are too high. This standard payment will amount to two and one-half billion marks—about six hundred million dollars.

Such criticism, however, has generally ignored the factors of safety and elasticity which the plan provides. Other forms of criticism have been directed against the proposal to derive a revenue from the railways. In general, these critics are skeptical of the possibilities of the railways earning something like 5 per cent when during their best years before the war they only earned something like 3 or 3½ per cent.

Other critics have leveled their comments against the organization and operation of the new bank of issue. There is a simple reply to all these criticisms. The plan is speculative. So are the criticisms. It is certain, however, that those who devised the plan have had more complete information in regard to Germany's assets and possibilities than any of the critics who differ with their conclusions.

Moreover, the experts themselves were men of conspicuous and outstanding ability in the business world of their respective countries. This being the case, the wise and fair course for governments to follow is to put the plan in operation and test it in practice. Human ingenuity is unconquerable. If the Germans want to carry the plan through and if the allied governments do their part, none of us here is qualified to forecast a failure.

At least one conservative English banker is quoted as saying that if the Germans adopt the plans proposed by the experts, they will in twenty years obtain an industrial and commercial position which will challenge the entire world.

It is, on the other hand, evident that the plans constitute the only tangible proposal which has been made as yet by which the allies have any prospect of regular annual repayment for the restoration of their devastated areas and other losses of the war.

Europe has long been waiting for some such concrete proposal. Despite the pessimistic reports which have been so prevalent in the last six years, only the pressure of political complications and conditions has prevented the countries of Europe from making a really rapid and surprising recovery.

Most of the people of Europe are not only industrious but thrifty. In the confusion which followed the erection of new boundaries under the peace treaty the world lost sight of the sub-conscious determination of the various peoples to survive and regain normal conditions of living.

The first and most spectacular demonstration of this determination was afforded by the advent of Mussolini in Italy. But something of the same kind was going on under the new government in Turkey. A more organized and better directed effort was under way in Czechoslovakia. Poland, despite its extraordinary problems, was at the same time making an effort which in many ways has been of a character to excite admiration and which now promises more tangible realization with the reorganization of the Polish currency. The League of Nations put Austria on its feet and is now devising something of the same kind for Hungary. The problem at Nemel has recently been solved by an American acting for the League of Nations.

Experts' Plan Bridges Chasm

THE SOURCES of chief confusion and difficulty have been and continue to be in the relation of Germany and the allied governments. The plan of the experts affords a keystone for the bridge to be built over this fundamental difficulty.

As all the world knows, whole sections of the German people have been impoverished, if not actually submerged. In a ten-day period during August last the revenues of the government yielded only seven-tenths of one per cent of its expenditures; in a similar period of January of this year they yielded well up to 95 per cent of the expenditures.

Too much cannot be claimed for such an arbitrary illustration. Nevertheless, it indicates the depths to which the Germans allowed their government to descend and their surprising capacity even now to respond to

healthful remedies. It is necessary to emphasize this recuperative capacity and potential strength of Germany, because it has been so consistently underestimated and understated. There is no question that in a purely material sense the German industrial establishment is in a better condition than it was before the war. The enormous number of superfluous employees on the German railways had to be kept occupied, with the result that the road bed and operating equipment of the railways in Germany have attained an extraordinarily high standard. Another and conclusive illustration of Germany's economic power is that, despite the ordeal through which she passed in 1923, which was characterized by the occupation of the Ruhr, Germany proved to be the third best customer of the United States out of all the world. Germany's purchases from us during 1923, while inferior to those of Great Britain and Canada, and much less than in 1913, nevertheless exceeded those of France, Belgium, Italy and all other countries and aggregated 316,000,000 gold dollars.

The German Government on its own account is devising means to create a bank of issue that will continue the stable currency conditions created so surprisingly by the Renten mark. The Renten mark has already remained stable for a longer period than any one believed possible when it was launched on November 15. The situation, however, is extremely critical.

A failure to adopt the plans proposed by the experts may well create an atmosphere of depression which will render the efforts of the government abortive. It is also perfectly obvious that if the German currency collapses a second time it will be infinitely more difficult to rehabilitate it than it was last November.

The acceptance of the experts' reports is of urgent interest to the entire world. It cannot be too much emphasized that these reports constitute no panacea for Europe's difficulties. They do, however, constitute a solid basis which, once created, will serve as a stepping stone for extending improvements in every direction. It still remains to be seen whether the pressure of political problems, which hitherto have proved so obstructive, will again operate to retard a return to normal conditions of business.

Business and Science, Partners

MORE than we yet realize, the future of American business and commerce and industry is dependent upon the progress of science; and unless the work of the pure scientist is continued and pushed forward with ever-increasing energy, the achievements of the industrial scientist will in the course of time diminish or degenerate. Many problems now confronting us cannot be solved by the industrial scientist alone, but must await further fundamental discoveries and new scientific generalizations.

Michael Faraday, working in England, and Joseph Henry, working here in America at the same time, made fundamental discoveries in pure science underlying the art of electrical engineering. If we were to subtract from our present knowledge the contributions of these men, the wonderful structure which our applied scientists, the electrical engineers, have reared would disappear.

An English statesman before whom Faraday performed his fundamental experiment in electromagnetism asked, "What use is it?"

Faraday, without revealing the irritation

By JOHN J. CARTY

Vice-President, American Telephone
and Telegraph Company

which he must have felt, said, "Some day it may be developed so that you can tax it."

Faraday was a good prophet, for today mankind is in possession of electrical property valued at more than twenty billions of dollars; and evidence is not lacking that others besides Faraday's statesman are busy with the taxing of it.

It can be said with truth that, considering the art of electrical engineering as it exists today, if we were to take away the contributions of the applied scientists, that which would be left would make a sorry showing. The entire art of telephony would disappear, and all of those wonderfully coordinated social and business activities depending upon that means of communication would instantly be paralyzed.

In electric lighting and power, and transportation, the contributions of engineers and

other applied scientists have been so important and so numerous that it is impossible to picture the chaos which would result if by some black magic their wonderful work should be undone. All of this work, it should be noted, has been accomplished within the last fifty years.

The importance of establishing within their own organizations departments of applied science, or as they are sometimes called, departments of development and research, has been better appreciated in the chemical and metallurgical and electrical industries than in most others; and the results have abundantly justified them.

I can best illustrate my point by a concrete example drawn from my own experience in the telephone art which has covered a period of more than forty years.

The Department of Development and Research, which is conducted under my direction, had very humble beginnings. At first, about the year 1875, it consisted of but one man, and then two, and then others were added. As the years went on, the work of the

department proved to be so important and became productive of such good results that the number of workers was steadily increased until at the present time the total personnel of the department includes about 3,000 workers, about half of whom have scientific or engineering training, a large proportion being graduates of our American colleges and universities. The rest are mechanics, draftsmen, clerical and administrative forces.

In the beginning it was difficult to obtain the necessary financial support even for the very small personnel and the limited laboratory equipment employed. At the present time, the budget of the department amounts to about \$8,000,000 a year, and the laboratories alone occupy a large 13-story building providing about ten acres of floor space.

Unlike the laboratories of the pure scientists established for the discovery of fundamental laws and new truths without regard to their immediate utility, these laboratories are devoted to a severely practical purpose. They are organized on a strictly business basis, and the work conducted in them is directed to no other purpose than improving, extending and conducting in a more economical manner the service which we render to the public.

The criterion which we apply to the work conducted in these laboratories is that of practical utility. Unless the work promises practical results, it is not undertaken; and unless as a whole it yields practical results, it cannot and should not be continued. The practical question is "Does this kind of scientific research pay?" If it does, it should be continued. If it does not, it should cease.

A consideration, therefore, of the practical results which have been obtained from this method of working will help us to a better understanding of our subject.

In 1875 the entire telephone plant of the world could have been carried in the arms of a child. It consisted of two crude telephones and about 100 feet of wire, over which Alexander Graham Bell spoke to his assistant, Thomas A. Watson. Starting with such instruments, the personnel of these laboratories

have by experimentations created a new art.

As one of the results of the cumulative improvements in the art coming from this unceasing organized effort, in the year 1915 Dr. Bell was enabled to talk once more to Mr. Watson through the original historic instrument, thousands of miles apart—the one at San Francisco, and the other at New York.

Pressing on to achieve still greater distances, the staff of these laboratories transmitted for the first time the human voice without the use of wires from Washington across the North American continent to San Francisco and even far out into the Pacific Ocean to the Hawaiian Islands, where words spoken at Washington were plainly heard.

By this same apparatus and by these same scientists intelligible speech was for the first time transmitted across the Atlantic Ocean from Arlington, Va., and heard at Paris. This was done in the year 1915. Still higher achievements now lie immediately before us.

To this work done in applied science the people of the United States, and indeed of the world, are indebted for the highly developed telephone apparatus and methods now available for use in all countries, but in our own to an extent far greater than any other land.

Science Pays in Hard Cash

BUT IT is not alone by these general results that I ask you to judge of the importance of employing the services of the applied scientist. I will give some concrete examples showing definite pecuniary returns.

From their very nature not all the advances resulting to the telephone system from its researches in applied science are capable of definite evaluation. For example, no one can accurately appraise the value to the public of those improvements without which the present extensive telephonic system of the United States could not have been created. Such figures would be speculative and even when moderately stated unbelievably large.

But I have made a survey of the work done during the period from 1900 to 1920; and choosing only ten items concerning which

definite data could readily be obtained, found that the specific savings amount in round figures to \$500,000,000. This means that the plant of the telephone system, if it could have been constructed at all, would have cost that amount more than it has cost.

The savings represented by this figure accrue to the public in a much larger measure than to the company, for without these scientific developments the service which is now rendered to the public could be given, if at all, only at prohibitive cost.

I think I have said enough to show that the establishment of a department of applied science has been of incalculable advantage to the telephone system and the public.

But the benefits flowing from the application of science to the telephone tell but a part of the story. The scientific development of the telephone gave a great stimulus to the entire electrical art, and following the invention of the telephone came the beginning of the electric light and power industries. Many of the concerns engaged in these industries likewise established departments of development and research, and the results have been astonishing in their magnitude.

The achievements of scientific workers in applied chemistry have also been of extraordinary value to the American industries. So great indeed have been the benefits to industry and business and commerce through the employment of practical scientific methods that the value of applied science to our practical affairs has been abundantly established.

But the number of concerns which have thus far adopted scientific research as an integral part of their organizations is very limited indeed, and these methods and ideas which have proved of such great importance in some of our industries have not yet been appreciated and adopted generally. In fact, only a beginning has been made.

Science can be of immense help to business, and it is only with the aid of science that American business can keep pace with the rapid advances which are now being made throughout the world.

Why Not a Common-Sense Calendar?

By EDWARD PRIZER

Chairman of the Board, Vacuum Oil Company

WITH the growth of human activity the unequal divisions of our Gregorian calendar, giving us months throughout the year ranging from twenty-eight to thirty-one days in duration, make more and more difficult the proper analysis which is required for the successful carrying on of the great enterprises which are the significant expression of the present time.

Therefore, the fundamental defect of the Gregorian calendar is the unequal monthly divisions of the days which the year contains. This inequality is further intensified by the constantly moving dates of the months on which days of the week occur, throwing into given months irregularity as to Saturdays and Sundays.

A month is naturally recognized as a suitable division of the year, but the months as at present arranged as to days do not constitute an equal measure. There is, for instance, 11 per cent difference between the shortest and longest month. Salaries, rents and all expenses, however, are based upon present monthly divisions. Monthly business expenses are pro-rated through the year on the basis of the months, notwithstanding that these expenses are in this way unfairly apportioned.

Mr. Cotsworth, a chartered accountant of

high authority, pointed out at the Washington hearing that, when employed by the railroad companies of Great Britain, he had great difficulty in correctly ascertaining monthly costs. In one case he found a large number of men paid by the week and a large number paid by the month as if it were a twelfth of the year. In some months there were five Saturdays, in others five Sundays and in others five Mondays, which would constitute a huge business difference for large railway companies.

In investigating a particular year where trouble in accounting arose, he found that that year began on Sunday, so that there were fifty-three Sundays in the year. The next year, however, would have one less Sunday and one more Monday, which would give to the railway for that year one more working day of operation, which would to that extent increase its earnings.

It was pointed out also from Dr. Beal's records that one of a large group of combination retail stores in this country showed for a given month, in comparison with the corresponding month of the preceding year, a large

falling off in turnover. An analysis proved that the month in question contained only four Saturdays and the month of the preceding year five Saturdays; and since Saturday was the day of large sales, there was no just comparison between the two periods.

There are many other difficulties which the present calendar system creates. We cannot make advance dates for any engagement without ascertaining from the calendar the day of the week on which it will occur. Periodical business and social meetings held on selected week days have to be described as "first" and "third" Wednesdays, or something of this nature, and dates for national holidays, festivals, etc., falling on Sundays have to be postponed by proclamation or public announcement. Bank drafts and trade bills falling due on Sundays have to be held over and one day's interest thereon lost. Monthly trade balances, wage adjustments, etc., are complicated by weekly wages which cover days which include both the end of one month and the beginning of another.

Of the proposed new calendars two have come into prominence, and for the purpose of this article are those only which need to be mentioned.

The one which has the endorsement of the

American Equal Month Calendar Association of Minneapolis comprises the dividing of the days of the year into thirteen months of twenty-eight days each. The additional month thus created is to be inserted in the mid-year, between June and July, and to be given some appropriate name. New Year's Day is to have no week-day name, but to be designated on the calendar simply as "January Naught," and is to be a full holiday preceding January 1.

When Leap Year occurs, the additional day will also have no week-day name designation, but be known simply as "Leap Year Day" and be placed between the last day of June and the first day of July as a full holiday.

The year is to begin with Monday, which shall, therefore, be the first day of the month. Monday in the year 1928 will fall naturally upon January 1, so that would be the year when the change could be made without any dislocation of any present week days or dates. By this plan Monday would not only become the first day of every year but also the first day of every month, every week and every quarter for all time; and the other days would follow in natural sequence.

As a consequence, calendars would become unnecessary and in time obsolete, because the days and dates automatically take care of themselves. All business statistics would be worked out upon thirteen equal monthly periods of twenty-eight days each, each month containing exactly the same number of Saturdays and Sundays.

This plan is extremely simple and, therefore, is receiving considerable support in this country on the part of those who are giving time and thought to the necessity of calendar changes. It has been endorsed by the

Royal Society of Canada and also by the Government of Canada, and has been referred by that government to the British Government for favorable consideration.

The objection is that the insertion of an additional month in the year is a radical departure from the present twelve-month division, and would be liable to encounter more initial opposition than some plan which did not disturb the twelve present divisions. In addition there might be opposition through superstition or prejudice to the number thirteen.

There is the further objection that a thirteen-month year is not capable of being divided into equal quarterly or semi-annual periods. None the less, the simplicity of the plan commends itself for careful consideration, particularly because the plan has already obtained an active and zealous support.

The other plan, which probably is more under consideration in Europe, is what is known as the "Swiss Plan." This involves dividing the year into twelve months, of four quarters of three months each, the arrangements for the first quarter to repeat themselves precisely in each of the other quarters; the first month of each quarter to have thirty days; the second month thirty days, and the third month thirty-one days. This gives ninety-one days to each quarter, or three hundred and sixty-four days in all, the remaining day in ordinary years to be New Year's Day and to have no other descriptive title. It begins the year, and January 1 will be the next day following.

When Leap Year occurs, it will be injected as an additional holiday following December 31, or placed in the middle of the year following June 31, as least upsetting.

In this plan January 1 is to begin on Monday. As a result the first month of each quarter—that is, January, April, July and October—will begin on Monday in every year. The Second month in every quarter will always begin on Wednesday, and the third month on Friday. Sunday will never fall on the first, the fifteenth or the thirtieth day of the month. The last day of each quarter will always fall on Sunday. The thirty-day months will have four Sundays and the thirty-one-day months five Sundays. The number of week days in every month, therefore, will be twenty-six, and holidays will always fall on the same day of the week.

A table could be readily worked out which would group the days under their week-day names and under months in accordance with the dates on which the week days fall, and once printed would be perpetual and, therefore, need no reprinting.

This plan is also simple in that it involves practically no change excepting the elimination of New Year's and Leap Year Days from the present method of computation and observing them as wholly separate holidays without date.

The disadvantage of the plan is that it prevents the fixing of the week day in a permanent relation to a given date, and breaks up weeks in relation to the beginning and ending of given months.

The question as to how the proposed calendar changes might affect religious festivals which at present have moveable dates has already been referred to the ecclesiastical authorities at Rome, and it is understood that the Pope is in agreement with any plan which would give fixed dates for these festivals, particularly Easter.

The Resolutions of the Meeting

No. I.—A Recognition of Leadership

THE VIEWPOINT of the Chamber of Commerce of the United States with respect to outstanding problems, as expressed in these resolutions, reflects in large measure the leadership of its president, Julius H. Barnes. His has been the clear thought to determine our proper position on every great question as it developed. His has been the sound logic and virile expression that waved aside confusion and misrepresentation, and forced recognition of the sound principles underlying our stand on vital issues. He has furnished the driving power to win our battles in the cause of justice to business. His has been the poised, serene courage to carry him uncomplainingly on his course, indifferent to petty and mendacious criticism and responsive only to the single obligation of discharging fully his duty to this organization, to American business, and to the nation.

Such leadership, invaluable at this time, challenges the expression of our profoundest admiration and gratitude.

Therefore your Resolutions Committee desires herewith to set formally in the record our confidence in the leadership of President Barnes and our resolve to render to him at all times the complete, unswerving and instant support of its entire membership.

No. II.—Principles of Business Conduct

THE FUNCTION of business is to provide for the material needs of mankind, and to increase the wealth of the world and the value and happiness of life. In order to perform its function it must offer a sufficient opportunity for gain to compensate individ-

uals who assume its risks, but the motives which lead individuals to engage in business are not to be confused with the function of business itself. When business enterprise is successfully carried on with constant and efficient endeavor to reduce the costs of production and distribution, to improve the quality of its products, and to give fair treatment to customers, capital, management, and labor, it renders public service of the highest value.

We believe the expression of principles drawn from these fundamental truths will furnish practical guides for the conduct of business as a whole and for each individual enterprise.

[Here follow in the resolutions the text of the business principles which are incorporated in Judge Parker's article published elsewhere.]

No. III.—International Economic Restoration

THE ANNUAL meeting joins with the recent action of the International Chamber of Commerce in declaring that the plans submitted by the two committees of experts to the Reparation Commission on April 9, provide a basis for a permanent settlement of the problem of reparations, and furthermore offer a real prospect of providing practical measures for the removal of obstacles which hitherto have appeared insurmountable.

We also agree with the International Chamber of Commerce that the reports of the experts offer opportunity for immediate action which business men believe so necessary for an improvement in world conditions, and that the plans furthermore open the way for a final and comprehensive agreement in regard

to those other problems which are connected with the settlement of reparations.

We unhesitatingly express ourselves in accord with the underlying sentiments and essential principles which the plans set forth. We also extend assurance that so far as an American business organization may find opportunity for usefulness in supporting the plans of the experts, the Chamber of Commerce of the United States will lend its assistance to the full extent of its power.

We desire also to support cordially the proposal for a general international conference to deal with economic questions and the further limitation of armament when the experts' plans just accepted by the Reparation Commission have been in operation for such a period that steps for a further conference may be taken with confidence of success.

No. IV.—World Court

THE CHAMBER reiterates its position in support of the International Court of Justice and urges the Senate of the United States to signify its consent to the proposal which has been made by the Executive. The Chamber believes that the Court, being permanent, composed of judges dealing with legal controversies, assuring continuity in the further development of international law, is thoroughly sound in principle. The Court is essentially judicial, acts only through trained judges; a country adhering to it incurs no obligation to enforce its decrees and does not even incur any obligations to submit its own controversies except to the extent that it may see fit at the time the controversy arises.

The Chamber regards the Court as a going

concern of great value in the promotion of orderly international processes, and believes the Court would be of far greater value in these respects if given the moral support of the United States; believes that any effort to scrap the Court and make a new one would, even if successful, work no substantial improvement, and would, as a matter of fact, involve delay and disappointment and the unwarranted withholding of the needed moral support of this country.

No. V.—Turkish American Treaty

TO SAFEGUARD American commercial, educational, religious and philanthropic interests in Turkey it is essential that our relations with that country be regularized without delay. The Lausanne Treaty has been endorsed by leading representatives of those interests. It secures to us the same rights as all other countries and is such a treaty as would be negotiated with any other sovereign state. While it is not as satisfactory a treaty as might have been secured under other conditions, it is wholly consistent with American principles of the "open-door" and the territorial and political integrity of sovereign states. This Chamber therefore urges the prompt ratification of this treaty.

No. VI.—Japanese-American Relations

THAT we heartily support the efforts of our President and State Department in cooperation with Congress to deal with exclusion of those ineligible to citizenship on a basis of friendly negotiation. We believe that our agreements and treaty obligations with Japan should be scrupulously observed, and that proper notice or conferences should be had before these should be changed or abrogated. We see no necessity in meeting inevitable problems, of dealing harshly or in a hostile spirit with a nation with whom we are on such a friendly basis and therefore heartily commend present efforts to bring about the most amicable understanding.

No. VII.—Immigration

IMMIGRATION legislation has received the attention from the Chamber which its great importance warrants. It has been considered at annual meetings and it has been earnestly studied by a committee of the Chamber. In accordance with recommendations of this committee which have been placed before the membership, we believe that the quota provisions of the law should be based upon the census of 1910 and that the present extension of these provisions should be for a period not exceeding five years. At the same time there should be inserted a provision for making the quota flexible, through increase above or decrease below the base figure within stated limits, in order that immigration may more nearly accord with our own conditions.

At the same time, there should be a means for testing in practice the possibility of selection of immigrants before they sail in accordance with their desirability and the likelihood of their advantage in coming to the United States. For the purpose of advising increases or decreases in quotas and for devising and supervising the test of selective immigration there should be an Immigration Commission. Upon this commission should also be imposed the task of making studies which will enable it to recommend, at the expiration of the period for extension of the quota law which we propose, the legislation which should then be enacted.

Present amendments should also reduce the hardships upon immigrants and make administration more effective. Wives or husbands and unmarried minor children of resident

citizens should be allowed to enter without being counted in the quota. One-tenth rather than one-fifth of the quota should be admissible in a month. Prospective immigrants should be required to apply to consular officers for immigration certificates, filling out appropriate questionnaires and presenting their files of identification papers. In such ways much can be accomplished to make administration of our law comport with American standards.

No. VIII.—Agricultural Conditions

AGRICULTURE needs no new recognition from other fields of economic activity in the United States. It has had an outstanding place in the development of our country, and today occupies a position in our economic life which in its importance has grown with the extension of other forms of activity and all other branches of American industry and commerce, however remote from agriculture, have vital interest in the welfare of agriculture.

Misfortune has come to some forms of agriculture by reason in part of conditions to which all business activity is subject, and in part to the hazards to which agriculture is peculiarly exposed. This situation has demanded the cooperation of business interests and we are gratified that material aid has thus been extended.

We pledge the Chamber of Commerce of the United States to support other measures which are calculated to enable branches of agriculture which are distressed to improve their opportunity for the success which each field of American economic activity wishes for all others. To that end means should be found to improve the efficiency of the methods of marketing at the disposal of agriculture, and every other measure founded on the principles which will tend to stability should be provided.

Any proposal for buying, selling, manufacturing or other handling of agricultural products by government agencies, however, whether under the pretense of the exertion of price influences or otherwise, we oppose as contrary to the principles for which the Chamber has stood with respect to other fields of activity and as sure to result disastrously for agriculture itself, and thus bring great detriment to all branches of industry and commerce.

No. IX.—Supreme Court

WE OPPOSE every attempt toward depriving the United States Court of its function to determine the validity of congressional action threatening the rights of person or property guaranteed by the Constitution. We condemn the proposal to require more than a majority vote of the Court to declare unconstitutional any act of Congress.

No. X.—Soldiers' Bonus

THE GENEROUS care of the disabled veterans is the sacred duty of our Government, but a bonus of any sort for able-bodied veterans removes one of the chief virtues of democracy.

The National Chamber's continued opposition to the bonus principle is not simply because it will endanger permanent tax reduction, but because it undermines the confidence as well as the moral fiber of our people to see great sums levied by taxes on all the citizens to give as a premium to able-bodied young men who served their country in a time of peril.

The Chamber's position in opposition to a bonus, in cash or other form, has been unmistakably declared through referendum. That position has been accurately and authoritatively stated by our president, Julius H.

Barnes, in a letter which has been hitherto addressed to the President of the United States.

No. XI.—Taxation

DURING war, revenues are of so paramount importance that the burdens of taxation have to be borne regardless of economic consequences. Since 1918, such a period has passed, with taxes levied at rates producing surpluses over the amounts needed, that revision of taxation should now proceed with a view to restoring conditions for economic advancement. For that purpose income taxes should be reduced according to principles which will increase the capital available for productive enterprise and commerce. Constitutional amendment should permit non-discriminatory taxation reciprocally between the Federal Government and the states on income derived from future issues of securities made by public authority. War excise taxes confined to particular businesses should be repealed.

Administration of federal taxes should immediately be improved. To that end a board of tax appeals should be created in the Treasury Department independent of the Bureau of Internal Revenue, and under such conditions of salary and otherwise as will make it possible to obtain the services of men of the highest ability. Duties now imposed upon the commissioner of internal revenue solely for the purpose of policing violation of the prohibition laws should be transferred elsewhere, that the commissioner's attention may be devoted to administration of taxes.

In the staff of the bureau such conditions of merit, salary and permanency in tenure for competent men should be established as will result in an efficient organization and reduce turnover of responsible employees. Administration should be decentralized as rapidly and as far as possible, with reports to Congress each year upon the progress made. Portions of the staff at Washington should be concentrated in one building. Information should be given to taxpayers respecting all rulings that affect their rights, favorably or adversely. There should be provision for the filing of tentative returns on the present due date, with a right to file final returns within three months.

Congress should appoint a joint committee with members from each House and representatives of the public, to make a thorough study of federal taxes, simplification of the law for income taxes, and improvement in administration.

No. XII.—Income Tax Returns

FAIRNESS to citizens who act in perfect good faith should characterize such legislation as the income tax laws under which all details of business transactions must be disclosed to administrative officials. The returns now filed for the federal income tax are available as evidence in the event there is allegation before any proper tribunal that there has been violation of the laws levying the tax. Against the proposal made by the Senate, that income tax returns should be made public records, and against other proposals that returns should be available to committees of Congress to publish as they may wish, we protest for the reason that these proposals violate the good faith which the Government owes to its citizens, to protect them in their private affairs.

No. XIII.—Economy in Government

THE RAPIDLY increasing cost of government, federal, state and local, is a heavy burden on business. To the end that the enterprise of the business man and the thrift

of the wage earner may be encouraged and not penalized, the United States Chamber of Commerce urges that unnecessary interference with, and supervision of, business and industry by federal and state governments, necessitating large and uneconomic expenditures with no commensurate benefit to the people, should be avoided.

The budget system, which has already produced striking benefits as used by the federal and many state and local governments, should be adopted by all state and local governments, in order that the citizen may know in what manner, in what amounts, and for what purposes his taxes are expended.

The earnest attention of the local chambers of commerce is called to the enormous increase in state and local expenditures which in the aggregate now exceed those of the Federal Government. There is imperative necessity for economy in all government activities—federal, state and local—in order to preserve and foster the spirit of free business enterprise and thrift.

No. XIV.—Special Insurance Taxes

SPECIAL state taxes now levied on policy holders through insurance companies should not be considered as a source of general revenue, but should be reduced to the total in each state which will adequately support such state's departmental supervision, and a uniform principle of taxing the holders of insurance should be adopted throughout the states.

No. XV.—Import and Export Traffic

WE STRONGLY advocate the indefinite postponement by Congress of the effective date of the application of Section 28 of the Merchant Marine Act of 1920. The announcement of the intention to make this provision immediately effective has created grave problems which are disturbing and hazardous to American producing, manufacturing and commercial interests.

No. XVI.—Trade Associations

THE CHAMBER OF COMMERCE of the United States by referendum No. 41 approved the functions of trade associations in proper dissemination of statistics of industry as in the interest both of business and of the public, and not constituting a restraint of trade. The Chamber urges upon the government departments concerned that all possible steps be taken to secure action eliminating the obstacles or uncertainties which interfere with the most effective carrying out of this trade association function.

No. XVII.—Industrial Relations

THE CHAMBER'S position taken through referendum in 1920 is in favor of the open shop, i.e., employment without discrimination against or in favor of men on account of membership in labor organizations. We desire to reaffirm the declaration of 1920, that the right of open-shop operation, that is, the right of employer and employee to enter into and determine the conditions of employment relations with each other, is an essential part of the individual right of contract possessed by each of the parties.

No. XVIII.—Railroad Labor Bill

THE IMPORTANT principles of the Transportation Act of 1920 should be continued without change until there has been further experience. This is the declaration of the Chamber in a referendum which closed only two days ago. The vote was so overwhelming

that it leaves no room for doubt respecting the position of business organizations.

The labor provisions of the Transportation Act contain important principles for continuation of which the Chamber has so emphatically declared. Abrogation of these provisions and violation of their principles is proposed by a bill which is now pending before the House of Representatives and which is known as the Howell-Barkley bill.

This bill would eliminate representation of the public as a party in interest in the determination of controversies between railroads and their employees, threatening interruption of traffic; would do away with the requirement for public investigation of such controversies; would tend to force all railroad employees, regardless of their individual wishes, into particular labor organizations and establish closed-shop conditions on railroads by law; would greatly increase the expense to the public, and would offer no new or effective guarantee to the public against interruption of railroad services by strikes.

No. XIX.—Workmen's Compensation

ALTHOUGH the Chamber has gone on record as disapproving monopolistic state compensation insurance, it records its approval of the principle of workmen's compensation in legislation for industrial accidents.

No. XX.—Industrial Mobilization

WE ENDORSE the policy of preparing plans in time of peace looking to the mobilization of industry in time of war, and recommend that support and assistance be given to the War Department in carrying out plans now being formulated looking to a more efficient mobilization of industry in the event of war.

No. XXI.—Postal Service

CONDITIONS exist in some post offices which make it desirable that as a temporary measure, Congress should authorize additional compensation for postal employees in these communities. These emergency conditions can be met with an expense very much smaller than is contemplated in various bills pending in Congress and should be met out of the general funds in the Treasury. Any attempt at readjustment of postal rates should await the analysis of studies of costs, for which Congress appropriated \$500,000 and which are nearing completion.

Efficiency should be the first consideration in the postal service. To promote efficiency it is essential that for the present nationwide scale of compensation for postal employees there should be substituted compensation based in each locality upon the salaries and wages which prevail there for similar services.

Obstacles, such as the system of substitute employment, which prevent the postal service from obtaining satisfactory employees, should be removed and provision should be made for suitable and larger compensation for night work than day work, that competent employees may be willing to work when the largest volume of mail is to be handled.

In the interest of improving the handling of all classes of mail, parcel post should be separated from other classes and special attention given to obtaining cooperation on the part of shippers for better packing.

First-class mail should be worked in transit to the maximum degree wherever this will expedite delivery.

A proper building program should be adopted by Congress for the relief of the many post offices which now have insuffi-

cient work room for efficient handling of the mails.

The business of the postal service is so vast, and its efficient handling is so important to all parts of the public, that there should be in the Post Office Department a permanent planning division, exclusively occupied with development of technical equipment, improved methods, and plans for expansion to meet future demands.

No. XXII.—Aeronautics

THE DEVELOPMENT of aeronautics in the United States is of growing importance for the transportation of valuable commercial commodities, for business mail, for engineering purposes and scientific investigations, for patrol of forest reserves against the constant menace of fire, and for the national defense.

With a view to furthering aeronautic development, we favor the prompt adoption of legislation now pending for the regulation and encouragement of aeronautics, including the creation of a Bureau of Civil Aeronautics in the Department of Commerce, and we ask the enactment of suitable legislation for the permanent establishment of an adequate air mail service between the larger cities of the country.

No. XXIII.—Transcontinental Highways

THE COMPLETION of transcontinental highways across the inter-mountain and semi-desert states is being delayed on account of the inability of those states to finance their proportion of that construction on the basis of present federal appropriation for such highways. The greater part of those lands is still held in the name of the Federal Government, which leaves an insufficient amount of taxable property for highway bonding purposes. It is, therefore, recommended that Congress consider an amendment to the present federal laws which will permit the completion of these highways at an early date.

No. XXIV.—Certification of Automobile Titles

ALL OF the states should adopt the principle of certification and registration of automobile titles as one of the most important and effective means for reducing thefts. This legislation should be uniform and contain adequate provision for enforcement with proper penalties for violations.

No. XXV.—Other Subjects

THE DECLARATIONS which the annual meeting has adopted do not include expressions upon all of the subjects which have been before it in resolution. On some of the subjects the Chamber has this week completed a referendum in which the membership formulated its position. Examples are questions respecting transportation, including waterways. Other subjects should have further study. For these reasons, and that all of these resolutions may receive the further consideration they deserve, we refer to the Board of Directors' resolutions on the following subjects:

- Appointment of Highway Committee.
- Appointments to Interstate Commerce Commission.
- Atlantic and Mississippi Canal.
- River and Harbor Appropriations.
- Taxation of Marine Insurance, with suggestion it be referred for study to the Committee of the Insurance Department.
- Use of Leaders in Merchandising.

Group Meetings Summarized

A Survey of the Work of the Different Departments of the National Chamber

Railroad and Postal Problems

AT THE first Transportation and Communication group session, Col. Paul Henderson, Second Assistant Postmaster General, gave an address on "Recent Developments in the Postal Service," and Lucius Teter, President of the Chicago Trust Company, presented the report of the National Chamber's Postal Service Committee, of which he is chairman. This was followed by general discussion, in which Dr. W. H. Walker, representing the American Farm Bureau Federation, brought out the attitude of the farmer on the question of pending legislation with regard to postal salaries and rates.

In speaking on "Recent Developments in the Postal Service" Colonel Henderson said that the postal service grows at the rate of 7 per cent per annum in revenue, while its increase in volume due to the extraordinary development of the parcel post service has taxed to the utmost existing postal facilities. Post offices have become crowded, and increased use of railway post-office cars has been necessary to take care of this greater volume. Except for the establishing of some 60 railway mail service terminals the country over, where parcel post is sorted, it is handled much the same as other mails. Of definite benefit to the business people of Chicago and New York is the sorting of mail in railway post-office cars on the Broadway and Twentieth Century trains, a service which has been recently established.

With regard to the cost of handling the different classes of mail Colonel Henderson said that Congress had appropriated a half million dollars for the purpose of ascertaining this cost, and that the necessary data had been collected in the field and are now being digested. "This cost ascertainment," he said, "will be of inestimable value not only to the Post Office Department but to the people of the country."

Mr. Teter, in presenting the report of the postal service committee, invited particular attention to two aspects of the postal situation, the first relating to the improvement of the organization methods and equipment for carrying on the business of the Post Office Department, and the second relating to the present situation in Congress with regard to proposed increases in postal salaries. He said that, while business men appreciate the loyalty and devotion of the individual postal official, they cannot accept the present conditions in the postal service as satisfactory, and invited the attention of those present to the recommendations contained in the report of the committee for the improvement of the service, which are:

Recommendation I.—This committee believes that the postal service should follow the principle of giving adequate service at reasonable cost, but that quality and efficiency of service should be the prime consideration.

"This," Mr. Teter said, "is an underlying principle which runs through all consideration of the postal situation and needs of the postal service."

Recommendation II.—This committee recommends that in those localities in which the cost of living is exceptionally high, postal employees should be allowed a temporary salary supplement on a sliding scale adjusted in accordance with the cost of living, until such time as a

proper reclassification of post offices and readjustment of wages can be effected to meet prevailing conditions.

"This," he said, "is the recognition of the fact that in the interest of good service special treatment of employment conditions is needed in certain localities. This recommendation favors differential wage scales instead of a uniform nation-wide scale."

Recommendation III.—In the opinion of this committee there should be appropriated by Congress sufficient funds for the carrying out of a proper building program for the relief of those post offices, in the order of need and regardless of location, which are shown to have insufficient workroom space for the efficient and proper handling of the mails.

Attention was called to the fact that in some localities the cramped working conditions as reported by the United States Civil Service Commission are one of the principal causes of difficulty in securing suitable employees. The building program for the postal service has fallen behind. It is of urgent importance that it should be placed on a sound business basis of programmed expansion.

Recommendation IV.—In the opinion of this committee the operation of a parcel post system is essentially different from the operation of the other classes of the mail service; and therefore, to maintain the efficiency of the mail service, some method should be applied for such separation of the distinctly different services as will make for their mutual improvement; therefore, this committee endorses the principle of such separation of parcel post from other mail, from an operating point of view, as will prevent delays in the handling of the mail.

Better Parcel Post Packing

STRESS was laid upon the fact that the business man is particularly insistent that the parcel post, which in the main represents transportation, for which the facilities of express and freight are also available, should not interfere with the rapid dispatch of other classes of mail which represent the communication and information service—the nerve system of business.

Recommendation V.—This committee believes that the business of the country requires that mail accorded first-class service shall be worked in transit to the maximum degree whenever it will expedite the ultimate delivery of the mail, and as far as possible a continuous flow should be maintained instead of holding it for stated intervals.

The execution of this principle is an important duty of the responsible postal officials.

Recommendation VI.—It is the judgment of this committee that loss and damage to parcel post matter and loss by theft in transit may be greatly lessened by the following, which the committee recommends: (a) Care on the part of the shippers throughout the whole country in packing and preparing parcel post matter for shipment; (b) more effective methods to be established by the Post Office Department for the protection of goods while in transit; (c) the postmasters in all localities being instructed to refuse packages not properly prepared for shipment and to confer with the shipping public in their districts to inform the public as to the essential requirements.

"This committee," said Mr. Teter, "was

convinced that there is a great opportunity for improvement in the methods of packing, handling and safeguarding parcel post shipments, and that shippers can be depended upon to cooperate with the Post Office Department in their own as well as the public interest if the matter is properly presented to them."

Recommendation VII.—This committee considers it of great importance that there should be created a permanent Planning Division in the Post Office Department whose exclusive duties shall be to conduct a study of current operations and carry on experiments for the purpose of developing improved methods and technical equipment for use in the postal service, as well as to study further plans for expansion in anticipation of future requirements.

Reference was made to an address before the group session last year by Mr. Henry S. Dennison, in which he drew special attention to the lack of adequate planning and overhead supervision in the postal service. The postal service is a great machine carrying on an enormous routine work; and unless adequate planning is provided for along modern lines, it is bound to become more and more routinistic in character and inefficient in operation, and to fall far short of meeting the standards and requirements that characterize American business. Mr. Teter went on:

One of these recommendations—that relating to personnel—requires special mention. On account of the serious importance of the question, on account of the strong influences that are being exerted to pass a large nation-wide flat increase in postal salaries, and on account of the apparent lack of any reliable information as to the actual needs, the Chamber in the latter part of March, 1924, requested of the United States Civil Service Commission information as to what difficulty, if any, was being encountered in securing employees for the postal service, which is provided with eligibles through Civil Service examinations.

The reply of the Civil Service Commission, including reports of its thirteen district secretaries, bears out the report and recommendation of your Postal Service Committee regarding this personnel problem, in particular making clear that the special need for increase in postal compensations lies in the metropolitan and industrial centers where the cost of living has most increased.

The Civil Service Commission reports also show that the system of substitute service is largely responsible for such difficulties as exist in securing employees for the postal service, while a second contributing cause of difficulty is the requirement for night work at the same compensation as for day work, resulting in experienced employees entitled to seniority choice taking the day shift. This is a disadvantage to the service, as the heaviest work requiring the most experienced employees is in the evening.

The points to be noted in connection with the legislative situation are as follows:

To carry out the recommendation of your committee on the basis of \$200 increase for employees in the principal localities where an increase is really needed has been estimated to require a total increase of between \$10,000,000 and \$15,000,000 per annum. The Kelly-Edge Bill, which received strong support in Congress, would require an increase of \$120,000,000, rising to \$150,000,000 per annum, the Paige Bill \$112,000,000. The Administration, foreseeing either a breakdown of the budget, which would largely

nullify the efforts being made for tax reduction, or an increase in postal rates that would be a great burden upon business, agriculture and the public generally, proposed a compromise bill on the basis of \$100 increase in pay for employees of small post offices and \$200 for larger offices, the total of which would be \$43,000,000. This would require, as was estimated, an increase of say \$30,000,000 from parcel post, \$5,000,000 from second-class mail, \$500,000 from third-class, and the remainder from various services, including money orders, special delivery and registered mail services.

A joint subcommittee of the two Houses of Congress has proposed a further compromise involving \$72,000,000 increase in the postal budget on the basis of \$300 flat nation-wide increase in salaries but not providing any corresponding addition to revenues. Bills embodying these changes have been introduced in both houses.

The meeting adopted a resolution covering the recommendations of the Committee on Improvement of the Postal Service, and calling for the abandonment of the system of uniform nation-wide salary scales for postal employees and the substitution of a schedule of compensations on the basis of salaries and wages prevailing for similar services in the various localities.

Fair play and team play in business, with constant lessening of the need for governmental regulation, were stressed throughout the annual meeting of the Chamber of Commerce of the United States in Cleveland. The progress along these lines that has already been made in the field of transportation was strikingly brought out in the second transportation group session. H. G. Taylor, of Nebraska, president of the National Association of Railroad and Utility Commissioners, and chairman of the Central Western Regional Advisory Board, told of the remarkable accomplishments of this new movement of cooperation between shippers and carriers. George M. Graham, vice-president of the Chandler Motor Car Company, speaking for the automotive industry, emphasized the view that the motor vehicle should perform only the service for which it is economically the best fitted.

Cooperation was also the dominant note in the discussion of the National Chamber's Referendum 43 on Transportation, the adoption of which was then announced at this meeting.

Mr. Taylor then described the cooperative movement between carriers and shippers launched last year under the leadership of Donald D. Conn, manager of the Public Relations Section of the American Railway Association. During the past year ten or twelve shippers' regional advisory boards have been set up with territorial boundaries such as to incorporate in each region fairly comparable producing and transportation conditions.

There is no inherent conflict between the motor vehicle and the railroads, said Mr. Graham. The more enlightened representatives of the industry favor regulation of motor common carriers by the same public agencies that have jurisdiction over the rail carriers with which they compete, believe that the users of the improved highways should pay the full cost of maintaining them, and in short, are in hearty accord with those features affecting the motor vehicle of the transportation policy of business established by Referendum 43.

"For the gain in this direction," said Mr. Graham, "the public is largely indebted to the United States Chamber of Commerce. It was at the instance of its president, Mr. Barnes, that a conference of railway, automobile and waterways officials was called in New York. From it resulted the first great national analysis of transportation problems.

Affects Public Purse Most

"WE NOW have a scientific system which allots to each transportation medium that function which it can most effectively perform. The public will be the greatest gainer through this new understanding of transportation, since the necessity of moving persons and products speedily and at low cost is deeply involved with the cost of living."

Mr. Graham laid special emphasis on the urgent need for making motor transport safer in view of the rapidly increasing number of motor vehicles.

Harry A. Wheeler, president of the Union Trust Company, Chicago, and chairman of the Special Committee on Transportation, led the discussion of the referendum. Mr. Wheeler reviewed the vote on each of the fourteen questions and urged that earnest consideration be given by all to the means of putting the new

policy into effect. The mere record of votes, without action, would accomplish little or nothing. Different methods of action were called for on the various principles, and he grouped them as follows:

Those Requiring Coordinated Effort:

1. Development of a national system of rail, water and highway transport. (Recommendation I of Referendum 43.)
2. Promotion of joint use of terminals. (Recommendation V.)
3. Establishment of store-door delivery. (Recommendation XI.)
4. Utilization of motor transport (a) to replace uneconomical forms of rail service, (b) to relieve yard and terminal congestion and, (c) to extend existing steam and electric railway service. (Recommendation XII.)
5. Extension of through rail and water routes and rates. (Recommendation X.)

Those Relating to Legislation:

1. Opposition to present changes in the Transportation Act. (Recommendation II.)
2. Support of the recapture clause. (Recommendation III.)
3. Advocacy of legislation to facilitate railroad consolidation. (Recommendation IV.)
4. Opposition to rate-making or other common-carrier regulation by legislation. (Recommendation VI.)
5. Promotion of legislation for a comprehensive survey and national plan for waterway development. (Recommendation VIII.)
6. Promotion of legislation to put the operation of the Mississippi-Warrior barge line on a sound commercial basis. (Recommendation IX.)
7. Promotion of legislation for the regulation of motor common carriers. (Recommendation XIII.)

Those Requiring Other Activity:

1. Expediting of readjustment of relative freight rates. (Recommendation VII.)
2. Development of an equitable plan of taxation for the maintenance of improved highways. (Recommendation XIV.)

The discussion that followed showed the keen desire of those present, representing shippers, carriers, truckmen, warehousemen and other groups concerned in transportation, to follow up this referendum with a view to putting its policies into practical effect through cooperation of all interests concerned.

Section 28 and the Merchant Marine

THE MERCHANT MARINE features of the program for the luncheon meeting of the Transportation and Communication group derived added interest from the fact that they revolved to a considerable extent about Section 28 of the Merchant Marine Act of 1920.

The section in question, it will be recalled, after having lain dormant since the date of its enactment, was unexpectedly brought to life by the joint action of the Shipping Board and the Interstate Commerce Commission in fixing, first, upon May 20, and later June 20, as the date for its enforcement. The large exporting interests of the country were greatly disturbed by this step; and their opposition to it, as manifested at the various hearings that have been held upon the subject, was further reflected in the attention given by the representatives of those interests to the National Chamber's program and in their participation in the luncheon meeting.

The formal addresses were delivered by Admiral L. C. Palmer, president of the Emergency Fleet Corporation of the United States Shipping Board, and by Mr. T. C. Powell,

vice-president of the Erie Railroad Company. The fact that it was Admiral Palmer's first appearance before the members of the National Chamber, and that he was to set forth his views upon a merchant marine program, created a good deal of interest in his participation in the event.

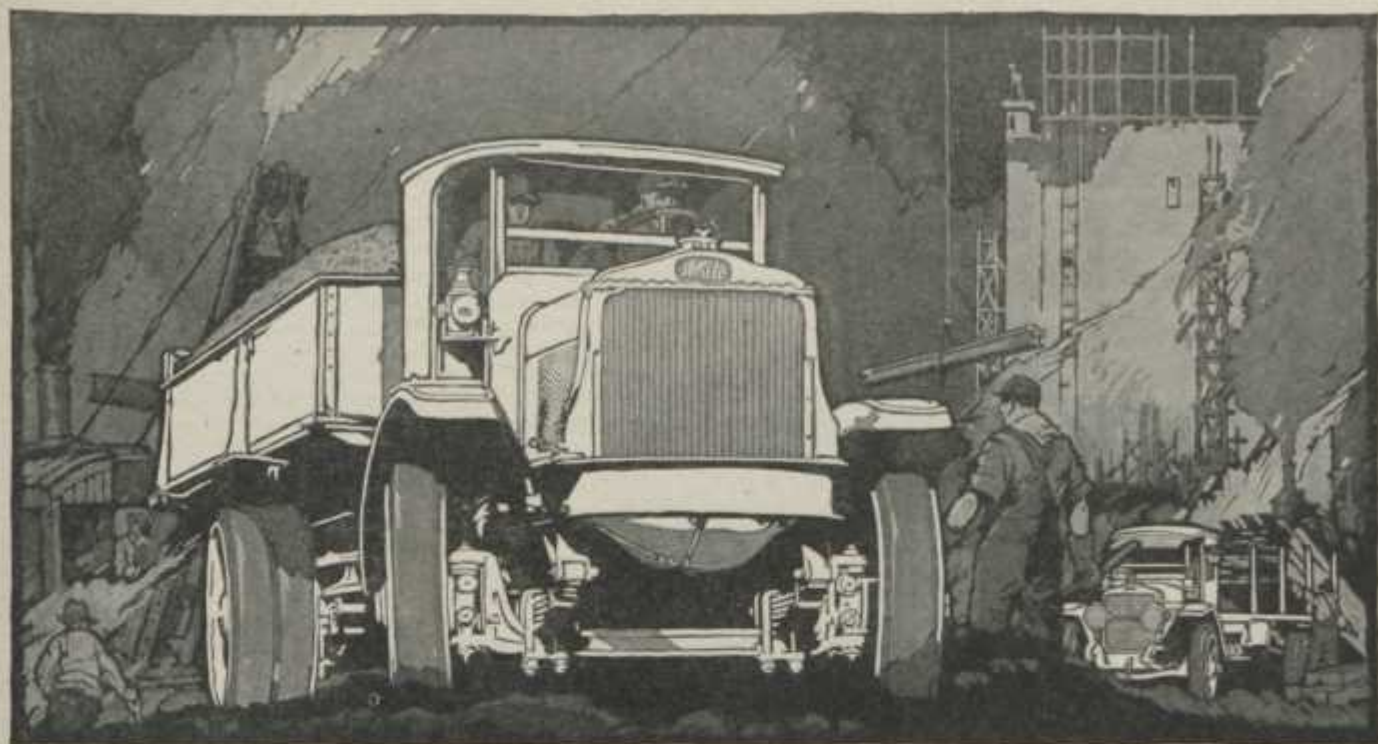
Admiral Palmer adopted as the thesis for his address a quotation from a report of a committee of the National Chamber submitted in 1914, that "No question now confronting the nation is so necessary to follow to a successful conclusion, none so essential to our prosperity and benefit as a commercial power, and of such importance in our ultimate relationship to the outside world, as the upbuilding of an American merchant fleet."

Congress, he pointed out, emphasized this statement in the opening paragraphs of the Act of 1920, in which it declared that it was necessary for the national defense and for the proper growth of its foreign and domestic commerce that the United States should have a merchant marine of the best equipped and most suitable type of vessels, ultimately to

be owned and operated privately by citizens of the United States.

That, he said, is the goal for which we are striving. Under the act the accomplishment of this purpose is the duty of the Shipping Board, to be executed, however, through the agency of the Emergency Fleet Corporation. But the mission of the Fleet Corporation is not to perpetuate itself. Rather, its duty is to work itself out of office at the earliest practicable date.

There is no doubt that our people want a real merchant marine, with the definite prospect that within a reasonable time it will become self-sustaining, so that whatever aid from the Government may be necessary will be within reason. Meantime the people want to be assured that our ships and services will be handled economically. They are not willing to pay out great sums of money unless this money is being used to the best advantage. Again, in order to convince shippers that our maintenance of essential trade routes is permanent, our organization must be run in a strictly business fashion. This we are now in a position to do. We can now con-



Is your motor truck an orphan?

THERE are thousands of orphan trucks in the hands of owners. No distributor or dealer is interested in their deeds or misdeeds. No one is interested in healing their wounds. No redress is available to the owners for their shortcomings. No value is in them at resale. They cannot even be cast forth as charges on the community. They are soon junk—most of these thousands of orphans.

But there are other trucks—sound trucks, with sound makers—safe investments. And the facts to guide your selection are easily obtained.

There are thousands of White Trucks in the hands of owners. They are at work each day—all over the world. Ten, eleven, twelve years old—hundreds of them have traveled 100,000, 200,000, 300,000 miles and more. But even the oldest can still get attention—skilled and immediate—should misfortunes of the road stop their wheels. Old Whites and

new go on paying dividends to their owners day after day by giving the most money-earning miles.

You will not invest in a truck whose maker went out of business yesterday or last year. You should not invest your money in a truck whose maker is likely to go out of business tomorrow or next year.

The purchase of a White Truck is assurance of continuous, sustained transportation of your goods at low cost over the greatest number of miles and years. And The White Company will be in business tomorrow and next year and the next, as it has been during the past twenty-three years.

Keeping faith with its thousands of owners throughout those twenty-three years—boom years, war years, panic years—has made The White Company the most permanent factor in the motor truck industry.

No White Truck will ever be an orphan.



Assuring constant, reliable transportation everywhere

THE WHITE COMPANY, CLEVELAND

WHITE TRUCKS

vince shippers and passengers that it is for their interests to patronize American ships.

It is difficult, Admiral Palmer stated, to make constructive deductions from our operating figures so long as the tonnage is not effectively disposed over trade routes and so long as operations are not conducted economically. As we consolidate the routes and make efficient use of the vessels, we can get a real analysis of losses under existing schedules and show when we need to make improvement. But in consolidating services no essential trade routes will be relinquished.

As trade improves, the services can be expanded; but additional tonnage should not be put on with a view of maintaining an artificially low scale of freights, which would force the National Treasury to pay a still larger part of the costs of transportation and which would have the definite effect of preventing the lines from becoming self-sustaining and therefore salable.

A merchant marine without a living rate can never be a real merchant marine. Shippers want stability of rates, regularity and permanency of service, but these cannot be had by running the vessels at heavy loss. Neither can we ignore rate conferences, because we need them to maintain stable rates.

In the matter of government aid it is to be noted that more than money is necessary for success. There must be a desire of the people to favor their own ships, and an interest in efficient service. "I am confident," the Admiral said, "that we can build up a strong and permanent merchant marine. This involves, among other things, however, the elimination of changes in policy and personnel, changes that have occasioned many of the faults for which we have been criticized in the past."

"If Congress can let it be known in no un-

mistakable terms that it is as strongly supporting our merchant marine, both privately and publicly owned, as the governments of foreign countries are supporting their nationals in the shipping business, there will be no doubt of our success; and private interests will soon find encouragement to purchase and take over the routes. But there should be a very clear announcement of policy so that the word 'emergency' will be eliminated and the idea of permanency take its place."

In reply to questions from the floor respecting the probabilities of adding to the tonnage now in commission in order to meet the requirements of Section 28, the Admiral stated that on May 20, the date on which the section was to become effective, we could have twenty additional vessels available. In the normal course of events, without crowding shipyards or increasing wages on repair work, we could have an additional 33 ships by July 31, or a total on that date of 53 vessels.

Millions Needed for Restoration

THE BALANCE of the 200 necessary would require considerable time and expenditure, and the ships could not be put in operation for a period of ten months, and only then at an expenditure of approximately \$10,000,000. There might be speeding up if we were put on a very great emergency basis, such as existed during the war; but this would reduce the time by only a few months, and the expenditure would be very much more than the \$10,000,000.

If there is any law on the statute books that will assist our American merchant marine, we want to take every advantage of it. But any suggested action should be very carefully thought out before it is put into effect, so that there may not be just criticism to the effect that business is disorganized and that

the results are not benefiting the marine.

The address of Mr. Powell upon the subject, "Inland Rail Rates in Relation to Ocean Transportation," was an interesting treatment of a difficult and technical phase of transportation, expressed in terms that made instant appeal to those to whom the address was made. His explanation of the existence of certain rates bore directly upon various of the questions involved in Section 28. He gave it as his opinion that instead of applying Section 28, with its indefinite wording, its discriminating features in favor of Canadian ports and Canadian traffic as opposed to American ports and traffic wholly within the United States; it would be better for the Shipping Board to concentrate upon the smaller ports, to establish an adequate certain and permanent transportation service, and then see that the rates are competitive with rates charged from other ports and by foreign vessels.

If the board, Mr. Powell observed, is to spend \$36,000,000 the next fiscal year to maintain the American merchant marine, let this amount be spent to demonstrate whether or not there can be an arbitrary distribution of the export traffic without a corresponding attraction for the import traffic.

"I do not think," he said, "that Congress intended the Merchant Marine Act of 1920 to be merely a medium for setting up exotic steamship operations for the primary benefit of the operators and contractors. Furthermore, an interpretation of Section 28, which simply transfers to the operators of American ships the concessions granted by the rail carriers on export and import traffic, at the same time forcing a higher scale of through export and import rates, will not benefit the American public nor enable American manufacturers to meet foreign competition."

Friendship and Foreign Trade

GENEROUS support of the President and the Secretary of State in their policy of friendly negotiation of the Japanese exclusion question developed in the Foreign Commerce group session on the afternoon of Wednesday, May 7. This session was devoted to a discussion of the outstanding features of foreign trade from the standpoint of the East, the South, the West and the Mid-West.

Robert Newton Lynch, vice-president of the San Francisco Chamber of Commerce, discussing this subject from the western point of view, emphasizing the dependence of the Pacific states upon oriental trade and the importance of an understanding of the Orient, said:

You here on the Atlantic have many foreign loves; but we are looking out there upon the Pacific; and we have had the intimate contact over a long period, and an inbred desire to go farther in connection with this matter. And yet I am afraid today that the coast is acting very strangely, or seemingly so, in the light of that fact in that we seem to have a great deal of hostility and prejudice against the Orient—that we do not desire the building up in this country of a great unassimilable population that is ineligible to citizenship. You hear the voices of our politicians, and the voices of those who have various prejudices or fears; and it seems strange that the United States or any part of it should ever operate from an attitude of fear. We have a very strange situation out there in which we wish to build up a wall of exclusion around ourselves, and to forego the tremendous advantages that we have in our personal contacts with the Orient itself.

Well, I can testify from the standpoint of

enlightened business, from the standpoint of the San Francisco Chamber of Commerce, that has dealt with this question over a long period, that we have no other desire than to deal with the Orient on the basis of friendliness and goodwill.

Of course there is an inevitable problem; we do not wish to build up a permanent population in this country which does not assimilate, and it isn't necessary to build it up, but the thing that faces this country is: are we going to meet that proposition with hostility and with fear, or are we going to meet it with injustice?

Following this statement Edward A. Filene, of Boston, introduced a resolution urging support of the Secretary of State in his efforts to deal with this problem by friendly negotiation, and denouncing the abrogation of the gentleman's agreement with Japan. This resolution was seconded by O. M. Clark, of Portland, Oregon, and Everett G. Griggs, of Tacoma, Washington, and was carried unanimously by the session. A resolution on this subject was adopted by the Chamber and is printed elsewhere in this issue.

In reviewing the importance of the oriental trade to the United States Mr. Lynch had the following to say, especially with regard to the part played by the Pacific coast in that development:

Now I profoundly believe that if the United States wishes oriental trade in its fullest development, it must operate from the Pacific Coast. That does not mean that ships may not come in even greater number through the canal; it does not mean that there shall not be direct contact by ships from the eastern and southern ports, or even to have the Great Lakes send

ships through to the ocean; but, however great may be the development of that trade, the development of our great oriental future must come from the Pacific Coast. Asia is the great future market of the world.

Citing America's need for developing friendly international relations as the outstanding feature of foreign trade today, Mr. Lynch said:

We cannot afford under those conditions to act any other way but in the most friendly and sympathetic manner and even be willing occasionally to surrender some of our feelings, which are occasioned largely by feelings other than material necessities.

The object of diplomacy these days is not to protect our interests, it is to make peoples of the earth friendly to each other, to be able to get along with the great scheme of commerce, because we have developed into a civilization which has made this a neighborhood world. We have developed a situation where we are all neighbors in a single yard, and we cannot afford to be wrong in our spirit.

The mid-west viewpoint was presented by Floyd L. Bateman, president of the Trans-Continental Freight Company, Chicago, Ill., who said that within a period of two years there had been an increase of approximately 100 per cent in the number of members of the Chicago Association of Commerce engaging in foreign trade. Similar expansion and improvement in overseas trade he reported from Cincinnati, from Indianapolis, from Milwaukee, and from Cleveland.

Mr. Bateman called particular attention to the part played by transportation in foreign

GREATER COMFORT—GREATER SAFETY—GREATER SPEED—GREATER PROFITS

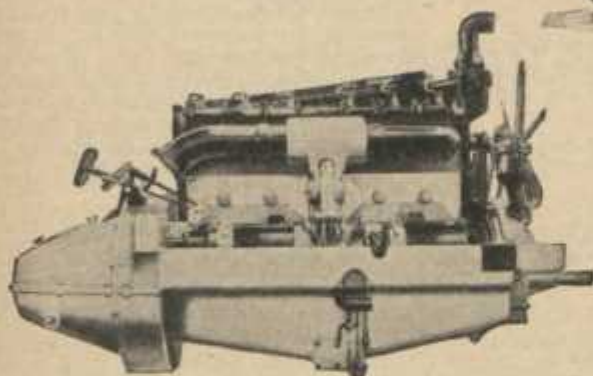
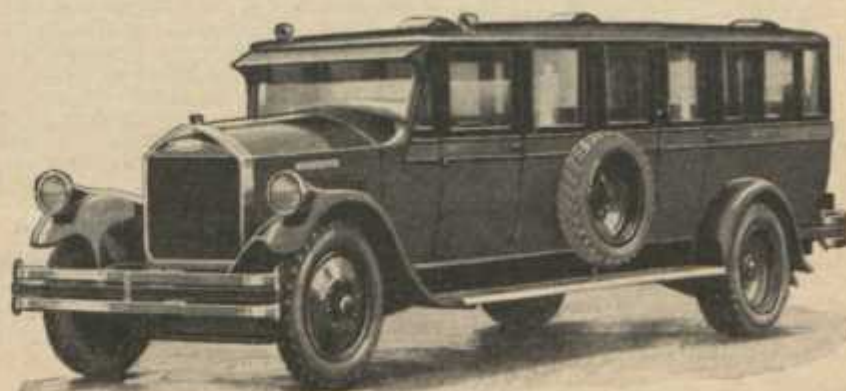
For passenger carrying, buy a *bus*; not a converted freight truck

Standard Chassis

\$4600

for 196-inch wheelbase, \$4750 for 220-inch wheelbase, at Buffalo; including starter, battery, generator, solid tires and electric lights. Pneumatic tires and disc wheels optional at extra cost.

Terms if desired



The Pierce-Arrow 6-Cylinder Bus Engine

The silent, Dual-Valve, Dual-Ignition Pierce-Arrow Bus Engine develops over 100 horsepower at 2500 revolutions per minute. It is so flexible that it will accelerate rapidly in high gear from a pace of two miles an hour to maximum speed.

Speed of from 45 to 50 miles an hour can be maintained readily, if desired—which means that lower rates of speed do not tax the engine to the limit.

The bus is propelled by a trouble-free inverted worm gear drive. The low-hung chassis has an unusually short turning radius.

The Pierce-Arrow Motor Bus chassis, produced in two lengths of wheelbase, will accommodate the deluxe, sight-seeing or pay-enter types of wood or steel bodies, ranging from 18-passenger capacity upward.

Which would make you more profit in passenger carrying work?

A converted four-cylinder motor truck which gets under way lumberingly, which jolts and jounces the passengers, which careens and sways, which is noisy and vibrates excessively at ordinary road speeds, which requires frequent gear shifting in traffic, which runs up big gasoline bills, which is hard to drive and handle?

Or—

The modern six-cylinder Pierce-Arrow Motor Bus, which accelerates with the agility of a powerful touring car, which rides more comfortably than a big limousine, which maintains high speeds without swaying or careening, which is virtually free from all vibration, which seldom requires gear-shifting, which is economical in gasoline consumption and which is easy to drive and handle?

Investigate this advanced vehicle, designed and built solely for motor bus operation. Let us demonstrate it completely at the factory or at one of our principal distributing points.

THE PIERCE-ARROW MOTOR CAR COMPANY
Buffalo, N. Y.

Pierce-Arrow

trade moving from the mid-west territory. In part, he said:

The middle states have aspirations—commendable international aspirations. They confidently believe that the time is not far distant when ships' tackle will load the products of the great valley directly from the ports of the Great Lakes to many parts of the world. It is not unreasonable to assume that the growing pressure of an ever-increasing foreign commerce from these parts will soon compel a solution of the Great Lakes-St. Lawrence waterway project.

Merchandise and provisions from the central states should not be subject to the vacillating rate conditions occasioned by the running amuck of distress space. Mid-west exporters, who rely on ocean carriers' freight contracts, all subject to space cancellation, sailing adjustments, and the provisions of which are subject to total eclipse by the terms of ocean bills of lading, are obviously working at a decided disadvantage. It is not generally believed that conditions will improve if The Hague rules are switched back to the State Department and made the subject of diplomatic negotiation. Would such treatment not be dangerous as an international treaty, and is it not fair to assume that those who pay the freight should have a voice in the determination of these rules?

In discussing the eastern point of view W. LaCoste Neilson, general sales manager of the Norton Company, of Worcester, Mass., pointed out the dependence of the eastern manufacturers upon foreign markets for manufactured products. The situation of

those manufacturers engaged in export was further stated by the speaker as follows:

The war brought on a great development in Europe in all fabricated articles. They had to make their own to a large extent. The natural development of quality has also tended during the war and since the war to equip them better. Today I think the large nations of Europe are wonderfully equipped to manufacture their own goods. That is going to make it much more difficult for American manufacturers to export. The American manufacturer must fall back on the advantages which he gains through mass production. Labor here is high, but through mass production the cost per unit can be kept low, and the articles can be shipped to Europe and still command a market.

The outstanding feature of the situation to me is that the conditions are becoming more difficult, that the foreigners are becoming more efficient, and that our market stands in danger of being taken away from us. For that reason I think that giving service in Europe is the proper method of holding business.

Advances Made in South

THE RAPID industrial development of the South, the expansion and improvement of its port facilities and its favorable railroad situation were emphasized by R. L. McKellar, foreign freight traffic manager of the Southern Railway System, Louisville, Ky.

After reviewing the movement of commodities for export through the present channels, Mr. McKellar urged the case of the southern routes as follows:

Within our own country we have expended

millions upon millions on inland water transportation. The Erie Canal has been constructed by the State of New York at an expense of approximately two hundred million dollars to afford additional transportation for the port of New York. Our Government has spent millions upon millions upon Mississippi River improvements to afford adequate and economical transportation to the Gulf. Similar sums have been spent to afford water transportation on the Ohio from Pittsburgh to Cairo.

Other lesser projects are being advocated, and also one of much greater magnitude, which is the Great Lakes-St. Lawrence Tidewater Canal, at a probable expense of half a billion dollars to the United States and Canada. The cost and maintenance of all of these immense enterprises is for the enlargement and improvement of our transportation system, and mainly to secure additional outlets to the sea, and necessarily will require several years to complete. It is all supported by taxation, and the wisdom of the expense or its economic value to certain sections of our country is not here criticized; but what is pointed out and emphasized is that by full utilization of southern ports the exporters and importers along the Ohio River and in the Middle West, and particularly in the highly productive Central Freight Association territory, reaching up to the Great Lakes, already have open to them for immediate use additional outlets to the sea by means of well-equipped and uncongested north-and-south, easy-grade railroads open for use tomorrow morning, if you please, from such markets as St. Louis, Chicago, Detroit, Indianapolis and Cleveland with competitive service and rates and without one dollar of taxation to bear other than the current transportation rates which all shippers have to meet.

For Fairer Insurance Taxes

AT THE insurance group meeting H. A. Smith, Chairman of the Insurance Advisory Committee, who presided, described the National Chamber as the largest body of organized policyholders among business men in the world and said that its Insurance Department has endeavored to arouse these business men to protect their own insurance interests. It has aimed to help these policyholders help themselves. Because of the nature of the Chamber, these policyholders can look to it for impartial information and assistance on insurance matters.

The principal theme of the meeting was Special Insurance Taxes, which Col. Howard P. Dunham, insurance commissioner of Connecticut, discussed from the standpoint of the state. He laid particular emphasis upon the injustice and inequities of the present unscientific methods of taxation and stressed the interest of policyholders in the current tendency of taxes to rise, since ultimately special taxes upon insurance companies must be borne by those who pay premiums. In demonstrating that insurance is taxed more often and heavier than any other kind of business, the speaker outlined numerous forms of special taxes, licenses and fees which are levied by the various states, pointing out at the same time that the proceeds of them are not used in the interests of policyholders alone but for the benefit of all citizens.

The states themselves have a duty to perform in stopping further special insurance taxation. Lack of uniformity of insurance laws is a large burden, very expensive and unnecessary. From the viewpoint of the state there is a right way to handle the great business of insurance and the time ought to come when the insurance institution can have uniform laws on taxation.

The insurance companies and the insuring

public are entitled to a simple tax that is uniform and equitable. No insurance company, agent, broker or policyholder should today practice the policy of isolation on such an important subject as the taxation of insurance. It is highly proper and full time that a movement be initiated for some relief.

Edward E. Rhodes, vice-president of the Mutual Benefit Life Insurance Company, spoke on "Life Insurance Protection and Savings as Affected by Special Insurance Taxes." As indicative of the extent to which, in some of our states, the public is affected by unfair insurance taxation, he stated:

There are, in round numbers, three hundred legal reserve life insurance companies organized and doing business in the United States. They have outstanding more than sixty billion dollars of ordinary insurance and about ten billion dollars of industrial insurance. They hold assets of over nine billion dollars. There is no section of the country into which the beneficent protection of life insurance has not been carried, and none which has not been benefited by the diversified investment of the policyholders' funds.

Life insurance as generally conducted bears no analogy to the ordinary transactions of a commercial enterprise. Its whole aim and purpose is mutuality and cooperation, not for the purpose of income, profits, dividends or corporate receipts, but solely to give to its policyholders insurance protection at actual cost.

Using the figures of one fairly large and representative company for the year 1923, the speaker showed that the cost of insurance was increased 8.3 per cent because of the tax which was paid. The laws of the various states under which these taxes upon life insurance companies are collected are hopelessly confused. Litigation has been required in a number of states in order to determine the correct basis of the tax, and will be re-

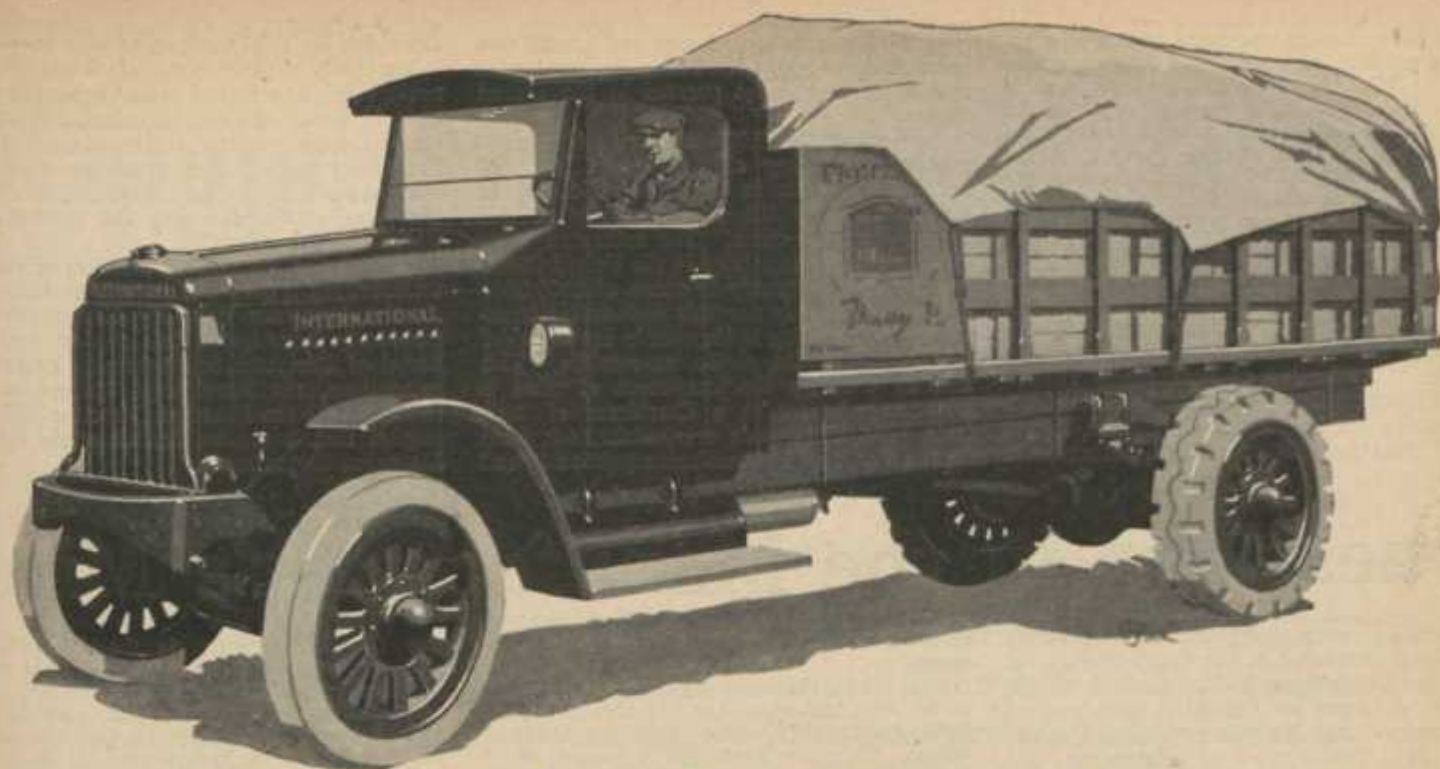
quired in a number of other states. This has involved, and will continue to involve, a heavy outlay by the companies.

In discussing Special Insurance Taxes from the standpoint of property and casualty insurance, A. I. Vorys, of Columbus, Ohio, said that an investigation by those who have comforted themselves with the reflection that their representatives in the legislatures have relieved them from taxation by transferring the burden to the insurance companies will show them they have been "hoist by their own petard." They still pay the tax; and if they now paid it directly to the state instead of through the insurance companies, it would be costing them a substantially smaller annual sum.

A few days ago I stepped up to the window of a moving-picture show. The sign above the window stated the price of admission was fifty cents, and I passed that amount to the ticket seller. She held the ticket and demanded five cents more. When I called attention to the sign, she replied that the five cents was for the tax. I was then perfectly conscious that I was paying five cents to the Government and not to or for the show. No propaganda, no lecturing, no advertising could have the same effect. This is seen in the reaction of Congress now exhibiting such deep concern over these taxes and a strong determination to repeal them.

Could the companies set forth in their policies the amount of the tax and amount of premium separately? There are perhaps some practical considerations in the way of life insurance companies adopting any such plan. I cannot, however, see any objections in the way of fire and casualty insurance companies. I have been told that some American companies so segregate the premium and tax and set them forth separately in policies issued in some of the South American republics.

If such a plan is feasible and is adopted, then



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FOR ninety-three years the Harvester organization has presented a record of dependable manufacture and unfailing service that has played a great part in the progress of this country. And when, twenty years ago, motor trucks were added to the list of International Harvester products this unequaled experience was immediately available for the development, manufacture and service of a motor truck worthy of the name it was to bear.

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a fire policy on Ohio property, which now recites a premium of \$100, would read something like the following: Premium, \$95; tax payable to the State of Ohio, \$4; cost of collecting the tax from the insured and paying it to the state, \$1; total, \$100. If a casualty policy, it would be something like this: Premium, \$96; tax payable to the State of Ohio, \$3; cost of collecting the tax from assured and paying it to the state, \$1; total, \$100.

Following the adoption of a resolution relative to special state insurance taxes, Frank Roberson, assistant general counsel of the National Board of Fire Underwriters, spoke on the "Certification of Automobile Titles." He emphasized the growing importance of the automobile theft situation, stating the United States now has fifteen million automobiles.

The 1923 production of cars and trucks was more than 4,000,000. There is one automobile to every nine persons in the United States.

Approximately 40,000 reported stolen automobiles in 28 key cities alone in 1923, of which 2,307 were in the convention city of Cleveland, show the serious nature of this rapidly growing crime. The estimated value of the stolen automobiles in the United States in 1923 is considerably in excess of \$100,000,000. The remedy for this undesirable situation lies in making it impossible for the thief to dispose of the stolen automobile. This can be done by the enactment of what is commonly known as a Certificate of Title Law. Mr. Roberson's suggestions took form in the shape of the resolution printed in full

elsewhere in this number of the magazine.

Inasmuch as the National Chamber had never taken any formal action upon the principle of workmen's compensation, although it was, through various resolutions, definitely committed against the states entering the workmen's compensation business, a resolution was passed favoring the principle of workmen's compensation.

A resolution relative to taxation of marine underwriting profits was passed unanimously. As the Insurance Advisory Committee had previously investigated this subject and the Board of Directors had approved its recommendations, the Resolutions Committee referred this to the Board of Directors with the request that it receive further study by the Insurance Department.

Questions in the Manufacturer's Mind

THREE outstanding industrial problems were presented at the group meeting of the Department of Manufacture. A. H. Young, Manager of Industrial Relations of the International Harvester Company, spoke on "The Obligations of Employer and Workers in Successful Production."

Mr. Young at the age of 13 started work in a steel plant as a messenger boy and oiler. Later he was roll-hand and lever-man and worked in other like jobs. Thus he has seen the relations of employer and employees from both sides.

According to Mr. Young, "the human element in industry is the factor of greatest importance" and he feels that "it is highly significant that the largest employers in America should voluntarily, and in a time of industrial peace, formulate and adopt an industrial-relations platform built upon such a declaration."

As always, an important link between management and workers is the foreman. He is, and will undoubtedly continue to be, one point of contact and a key-man in maintaining the cooperation necessary to successful production. But the present theory and practice of industrial relations conceives a further point of contact—the mechanism of employee representation—a contact which gives insulation without isolation, one which is living, humanized and vitalized, and one from which results a far better understanding by each of what is on the other's mind. Such a plan has been in operation at the numerous plants of the International Harvester Company for some time, and Mr. Young comments upon its effectiveness most convincingly:

This Harvester plan of employee representation was written into organic law with the utmost care. Among its authors were practical business men with a vast fund of experience and tradition in the conduct of a successful productive industry. There had been gathered for them a great body of information rather thoroughly covering the experience of our own and other countries in efforts to find an industrial-relations basis that would match with modern industrial conditions. The text of this plan appears to have been as sound as the spirit in which it was conceived. At least, it has been amended only in two unimportant details in this five years of ups and downs and twists and strains, although the door has always stood wide open for any amendment that anybody concerned might desire to offer.

And yet it was not long after the plan had been in operation that I felt and said that, in my opinion, we could easily throw away the written text of the plan and trust the idea and the plan itself to the spirit of confidence, of

good-will and of cooperation that it had produced.

It is now quite the custom and the fashion to be open and frank and inclusive about the main controversial questions of the industrial relations. Only five years ago it seemed like a boldly progressive and even radical step when the Harvester Company, in putting out its Industrial Council Plan, expressly included the questions of wages, hours and working conditions as subjects for the debate and determination of the Works Councils. A bold and a long step forward, but experience has proved and justified the theory on which it was taken.

Nowhere, in all the long list of questions that have been decided by Harvester Works Councils, has the principle and practice of employee representation functioned to better mutual results than on subjects that used to be fighting issues.

Curt Methods Pass Away

THEN the speaker went on to contrast conditions under the old and the new idea in human relations in industry.

One time, out in a western steel works, my job was in the rail mill. One day a notice went up on the bulletin board saying curtly that, effective at such and such an hour of that day, the mill would be shut down until further orders. Just that, no more—"until further orders."

A bunch of us got together at the lunch hour in the riggers' shanty; and, of course, we talked about the shutdown. There were almost as many theories about the cause of the shutdown as there were men in the group. Finally, one old, wise hand said he knew the reason. It was because we were using an inferior coke, and this had resulted in producing rails that wouldn't stand up. Our shipments had been refused, contracts had been canceled and only the good Lord knew when, if ever, the mill would start up again.

Personally, I happened to know the only reason for the shutdown was the fact that the soaking pits needed to be relined and that in ten days, at the outside, the mill would resume operation. I was, however, old enough to know that I was too young for any statement of mine to have any effect on that hard-boiled bunch, and I kept still.

Well, in ten days the soaking pits were relined, the mill was ready to resume production, and the men were called back—but not all of them, for quite a few, and desirable workers at that, had moved on rather than hang around waiting at a gate which, for all they knew, might never swing open again.

How easy it would have been for the management of that mill to have put up a bulletin saying that the mill would shut down, not 'until further orders,' but until the soaking pits could be relined; or the foremen could easily have passed the word down the line that the shutdown would last only a few days. But that is not the

way factories were run in the days when I packed a lunch box and a brass number check.

A few years ago, when American agriculture suddenly struck a long down grade and the agricultural implement business went plunging down hill close behind it, it was part of my job to help in the unhappy business of putting the brakes on a big productive organization that was running on the high gear. During that experience I often contrasted that experience in the rail mill with the somewhat comparable situation that was now in hand.

The Works Councils were fully informed of what the management felt sure was going to happen. Employee representatives were called upon to find out in each of the plants in what ways their constituents would prefer to have the week and then the working day shortened as production was curtailed. Weeks and even months before a plant completed its diminished schedules the councils and every employee were notified that, under the stern compulsion of business necessity, forces must be reduced at many of the plants to a point that would practically mean suspension of operations.

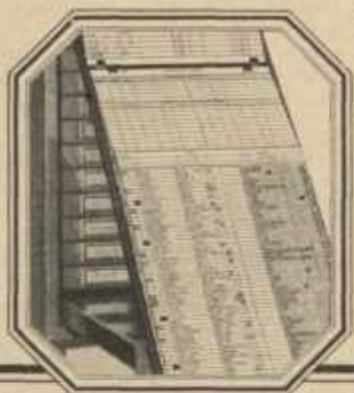
All hands were furnished with printed statements of the causes and were asked to register and to keep in touch with the plant so that when operations were resumed, they might be called back to their jobs. In some plants individual cards were issued to employees stating the reasons for their unemployment and commending them to any other employer who might be able to use their services.

Another phase of the new era of humanized relations in industry was presented by James E. Kavanagh, Second Vice-President of the Metropolitan Life Insurance Company, who spoke on "Industrial Pensions or the Care of Faithful Workers."

One of the natural and first considerations of a pension plan is its cost, and Mr. Kavanagh has this to say regarding this point:

My company is frequently asked by business men what a pension system costs, which is a good deal like asking how much it costs to build a house, or what is the price of a suit of clothes. As the roughest kind of a rough guide, I can say that any industry which sets aside regularly one dollar out of every one hundred dollars of payroll will, unless there be a violent change in the value of the dollar, be able to provide a fairly adequate pension allowance for all employees who are less than thirty-five years old when the fund is started. The trouble is that most industries have already on their rolls a great many men who are more than thirty-five years old, and indeed until a certain number are about ready for pension, or more often until the informal payments that are made under the general principle of "taking care of our old and faithful employees" are mounting to considerable sums, the question does not come up for active consideration and final set-

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tlement. As to these older men with long service records, the company has been having its ride on credit; and the cost has been accumulated.

When you retire a man at sixty-five on a pension of say \$400 a year, the cost to your company is going to be about \$3,800. If you had put aside \$38 each year from the time that man was twenty-five years of age—had charged it in on your cost sheet as a part of the current expense of operation—this money, this \$3,800 needed to pay his pension, would have been available without present cost. Since it isn't available, and since no further benefit is to result to your company from the payment of that pension, accurate accounting demands that the \$3,800 debt be set up at once. If the man is now fifty-five, there remain ten years of active work over which this \$3,800 can be accumulated. About \$300 a year will do it. If he is forty-five and has twenty years to go, \$125 a year will do it; and so the burden decreases with every year of decreasing age.

What is the attitude of the workers regarding pensions? Perhaps the case of one of the railroads is indicative. This road had been operating a pension plan for many years—a plan just and seemingly satisfactory; yet the employees asked the management to institute a contributory plan—one whereby they would share in the expense.

Why do the men want a contributory plan, one which they would help to pay for?

First of all they want a pension plan which they can depend upon. They want to know that when they have worked for a certain number of years they can definitely and absolutely count on the receipt of a certain income with no "by your leave" to a board of directors or anybody else. They have no lack of confidence in management, but they have no assurance whatever as to what the management might be thirty years hence. Modern industry is so interdependent, so complex, that, through no fault whatever of his own, a man may any day find himself out of a job and hence with no claim, either legal or moral, to a long-service pension. The wage-earner recognizes these facts. So one reason these men wanted a contributory pension was the reason of certainty.

The contributory plan is worth serious con-

sideration even if only the employees want it. But there are other points of merit about it brought out by Mr. Kavanagh:

Beyond this there is the great value of cooperation, especially financial cooperation, between employer and employee in the attainment of any definite object. There is every indication that the pension problem will in its eventual solution be dealt with by the joint contribution of employer and employee.

One question raised by many executives is: "Are American working men willing, especially at the younger ages when the pension is far away, to contribute to the cost of a retirement plan?" In these matters theory and opinion are of small value when weighed against experience. I can only say that the contributory pension plans which have already been launched in this country have been not only accepted by the wage-earner, but in many cases with extraordinary enthusiasm and unanimity.

Mr. Kavanagh believes that the pension plan in industry is here to stay and will become more general. He sums up the subject as follows:

1. Pensions are not costly. Delay is.
2. Whether you have a pension plan or not, begin setting up a reserve now.
3. Whether you have a pension plan or not, carefully consider allowing your employees to contribute.
4. Beware of calculations based on published annuity rates.
5. Place no dependence whatever on calculations of probable withdrawal from service.
6. Avoid pension plans based on final salary.
7. And most important of all, if you have a pension plan, find out through expert actuarial advice how it stands financially. If you have not a pension plan, find out through expert actuarial advice the probable future cost before you start one.

The other speaker of the meeting was Dr. George K. Burgess, Director of the Bureau of Standards of the Department of Commerce, who described "The Simplification of the Government's Purchases."

Recent Tendencies in Distribution

PRESENT confusion in distribution in the United States and the evident lack of knowledge among distributors concerning some factors which are so clearly interlinked with their businesses made timely and appropriate the list of subjects which were discussed at the group meeting of the Domestic Distribution Department.

In opening this meeting, A. Lincoln Filene, a director of the National Chamber, who presided in the absence of Theodore F. Whitmarsh, chairman of the Domestic Distribution Department Committee, gave a brief outline of the importance of present-day problems confronting all distributors, outlining, in short, the work the department has been carrying on during the past year.

Edward A. Filene, of Boston, read a paper on "Coming Changes in Distribution." He pointed out that the competition in production has developed to such a degree that the producers will be forced to pay increasing attention to the cost of distribution, realizing more definitely now that the most successful producer will be the one whose goods reach the ultimate consumer at the lowest retail price, quality considered. The average commodity now doubles in price between production cost and retail selling price and it was strongly emphasized by Mr. Filene that efficiency in distribution lies in mass selling—just as efficiency in producing, with corresponding economy, lies in mass production.

Mr. Filene advocated the organization of chain department stores to reduce the cost of distribution and meet the growing competition of ordinary chain stores. Out of such an organization should come true mass buying—buying on an adequate scale the output of a mass production. When we get real mass buying, the concentration of a single manufacturer's business in just a few very large retail organizations, it will enable him to make up only what the retailers want made up—will agree to buy and have scientifically determined what can be resold to their customers. In this manner the manufacturer and retailer will be able to cooperate and plan together to diminish the irregularity of production in the costly succession of alternate "rush seasons" and "dull seasons."

In conclusion Mr. Filene predicted that under mass production and mass distribution higher standards of wages will be maintained, for it will be the most profitable to the producer that the reduction in price should come out of the elimination of the middlemen and the present wastefulness of production and distribution, not out of salaries and wages—that is, that it will be most profitable to preserve the buying power of the masses.

"Principles and Progress in Cooperative Marketing" was the subject of the address by Lloyd S. Tenney, assistant chief of the

Bureau of Agricultural Economics of the Department of Agriculture. He explained that the farmer cannot solve his marketing problems by individual effort; neither is a cooperative market a panacea for all farmer's difficulties. Mr. Tenney pointed out that the farmer is essentially a manufacturer and is confronted by the same marketing problems as the manufacturer of any other product; that he has the same right to control and solve economic questions as have any other business men. Individual effort cannot solve them and group action is therefore necessary. It is not only necessary that the right of the farmer to organize be accepted morally, but that this right be recognized by law.

In conclusion he stated that the essentials of successful cooperation include organization along commodity lines, the obtaining of sufficient tonnage definitely secured by legal contracts, the securing of honest business administrators, complete and satisfactory financing plan, and the incorporation into the whole scheme of a few cooperative methods.

The third speaker of the session was Lew Hahn, managing director of the National Retail Dry Goods Association, New York, who discussed briefly the present and pending legislation affecting distributors.

He said that many opinions have been expressed as to the right or wrong of the attitude of the Federal Government as gathered from the complaints issued by the Federal Trade Commission, suits instituted by the Department of Justice and decisions rendered by the District, Circuit and Supreme Courts of the United States, that any opinion which he might express as an individual would be super-erogatory. His impression, however, is that in the recent past at least the actual state of law or even the judicial decisions based upon the law seem to be of less importance than the question as to who administers the law—as to who decides upon what suits are to be brought and how these suits are to be presented.

A change from a prejudiced or indifferent or even perhaps unscrupulous administrator to one who is enlightened, fair and honorable may bring us hope; but even so we cannot conceal from ourselves the danger of a relapse to conditions which are literally intolerable. Mr. Hahn laid special emphasis on the necessity of business men acquainting themselves with proposed legislation which affected their business and urged them to put forth every effort with the view of aiding our legislators in determining the value or worthlessness of any proposed legislative action.

The concluding address before the group meeting was delivered by F. M. Feiker, vice-president of the Society for Electrical Development, who spoke on "The Need of a Marketing Census."

We need a census of distributors conceived for the same purposes as the census of manufacturing. At present we have a one-sided picture of our business of manufacturing and of selling. We know how many mines, how many factories, how many railroads we have in the United States. We collect regularly and classify the number of farms and forests, but we do not know accurately in any trade how many wholesalers and retailers there are. We talk learnedly about the costs of distribution, but we do not know the simple facts on how many merchants there are. Periodically we hear that the prices of coal, of shoes, of foodstuffs, of clothes, are too high; yet we have no accurate account of the necessary purveyors of these commodities, the coal dealers, shoe stores, grocery and clothing stores.

In the discussion which followed the foregoing addresses considerable interest was dis-



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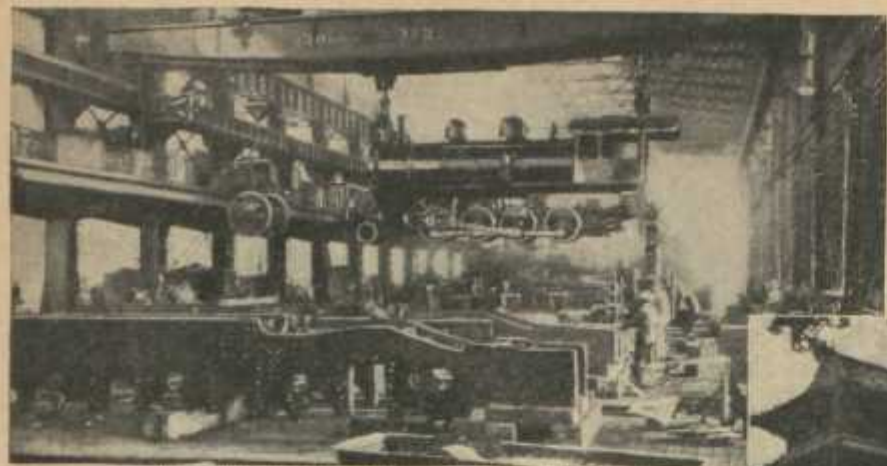
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The South Manchuria Railway is the chief factor in Manchurian development. The railway is of standard gauge, with practically an all-American equipment, patterned after the leading American and Canadian roads. Its fast through train between Dairen and Changchun, the "South Manchuria Express," has been called the "Twentieth Century Limited of the Far East."

This railway company has developed and equipped the fine modern port

of Dairen, the second largest port of China, ranking next to Shanghai in volume of its foreign trade; it operates the Fushun Coal Mines and the Anshan Steel Works; it conducts the Yamato chain of large Western-style hotels in Manchuria and Chosen (Korea); it has established scores of schools and playgrounds, hospitals and libraries, and several agricultural experiment stations and research institutes.

Manchuria is a growing market for American goods, chiefly manufactured articles and machinery. It produces many raw materials of interest to American buyers.

For detailed information, apply to the New York office.

Manchuria in Motion Pictures

The New York office of the South Manchuria Railway Company has two reels of pictures showing the intermingled Oriental life and modern development of Manchuria. This film, requiring about a half-hour to show, will be lent to organizations or societies free of charge, except transportation cost. If you wish to borrow this film or if you wish free travel literature concerning Manchuria and Chosen (Korea), write to South Manchuria Railway Co., 111 Broadway, New York City.

Your Host and Guide

SOUTH MANCHURIA RAILWAY

South Manchuria Railway (heavy black line) through Manchuria and Chosen, connecting with Chinese and Japanese rail and coastwise lines, and ocean routes to Europe and the United States.



played by those present. It was said in discussing the address of Mr. Filene that retailers are doing a more efficient job of merchandising as time goes on and that service will continue to be the backbone of a retail business. It was generally agreed in the discussion on "cooperative marketing" that more intelligently directed agriculture results from that form of selling.

Common Problems of Raw Materials

THE GROWING importance in industrial and social life of industries producing raw materials from natural resources and the common problems which grow out of this increased importance, were the general theme of the group meeting of the representatives of Natural Resource Industries.

The chairman, Mr. Milton E. Marcuse, of Richmond, Va., a director of the Chamber, emphasized the importance of natural resources by pointing out that the source of all wealth was natural resources and that man's activities were in putting these in form for his use and that burdens placed upon these industries ultimately passed on to the public.

Referring to the specific program of the afternoon, the chairman stated that it had been developed to cover some common problems of natural resource industries, prominent among which were Government Control of Natural Resources, Taxation and Trade Association Activities. The chairman asked Richard F. Grant, of Cleveland, vice-president of the M. A. Hanna Company, and a director of the National Chamber, to introduce the first speaker, James R. Garfield, Secretary of Interior under President Roosevelt.

In his address on "Government Control of Natural Resources" Mr. Garfield showed how recent was the feeling that Government had any concern in the problem.

Coming to a pending question, Muscle Shoals, Mr. Garfield said:

The way the Government has been seeking to develop the power is this: The Government seeks to control the great reservoir sites, construct the greater majority of the projects, as it has in the Reclamation Service, and then lease out to an existing corporation, if it be a power company, or if it be a municipality, if it needs light or heat, those rights, to the end that there may be an orderly development and a wise use, at rates which are consistent with economy and at the same time profit, so that the entire community and all the residents who are fed by that watershed can have equal benefits from the development of these resources.

That is why I have opposed the bill in Congress seeking to give to the Ford corporation Muscle Shoals, because that is contrary to every principle that we have been contending for for the last twenty years. As the result of this twenty years of careful study, as I told you, the Power Act was adopted by Congress.

Contrary to these principles, one corporation seeks to acquire under the bill known as the Muscle Shoals Act, passed by the House, and now in the Senate, the power development of Muscle Shoals, a development that runs up into nearly 800,000 horsepower. All that the Ford corporation agrees to use for the alleged manufacture of nitrate and of fertilizer is 100,000 horsepower, leaving to itself the use of all the balance of 650,000 to 700,000 horsepower without let or hindrance, without regulation by state or nation. That is contrary to the wise use of a resource that belongs to all the people of that southland.

Power development is like water development. First, the water development must be treated as

a whole; second, the distribution of power under present conditions runs over hundreds of miles, whereas a few years ago it could be carried only a few miles. Therefore, in the distribution of power, government, either of the nation or of the state, must take into consideration the area of possible consumption; and when they are granting a great right to an individual to develop power, they should see to it that the entire area of distribution is considered before the rights are granted under license to a company or to an individual for the development of that power.

Urging the great natural resource industries, such as metal mining, lumber, coal, oil, etc., to take joint action on taxation, Paul Armitage, of New York, developed his ideas along the following lines:

The first outstanding characteristic of such interests as mining, oil, gas, timber, is that they are basic and underly our entire industrial life. A tax levied upon the heart of industry affects every man, woman and child, because in its last analysis a tax is nothing more than an added cost. It must eventually be passed on by the industry either in the form of higher prices or curtailed production. The legislatures do not realize this in their advocacy of super-taxation of natural resources.

A problem common to the natural resource industries that are "exhausting" or "wasting" in character such as oil, coal, timber, gas, is that of "depletion." The using up of such natural resources in the process of converting them into raw materials is clearly a loss of capital, which should be deducted in determining tax income; but the Supreme Court of the United States declared otherwise. If that question came up anew before the Supreme Court, in the speaker's judgment, it would reverse itself, for the principle of "depletion" is now well embodied in our income tax laws, although it is not generally understood by the public or by the legislatures.

Need National Reserves

ANOTHER peculiar characteristic of the natural resource industries is that it is necessary for them to maintain large "reserves" for large-scale production under modern business conditions. The states have seized upon these large reserves for the purpose of taxation. They tax them as if they were present existing values which should pay their share of the burdens. They are not present existing values. They are remote contingencies that may not be mined until many years from now.

The Wisconsin Geological Survey prepared a table showing the multiple, pyramiding effect of taxation upon an ore body which cannot be removed for a number of years. It shows that at 3 per cent taxes a year the ore is valueless and would yield no profit at the end of 30 years, and yet year after year taxes are levied upon the ad valorem system upon these ore reserves.

The common dangers that confront these natural resources are very serious. In the first place, there is danger of super-taxation or excess taxation. A flagrant case is the action of Minnesota, which secured an amendment to the Constitution by which it could value mines at an excessive rate—50 per cent more than farms. Not satisfied with that, in 1921 it levied upon the mines an occupation tax—that is, a tax upon the privilege of mining—of 6 per cent of the value of the ore mined. That was super-taxation, levied over and above and in addition to all other taxes; and the law said so; and they were perfectly outspoken about it. The Supreme Court has said that it is perfectly legal for the

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legislators to single out a particular industry and levy not only excess taxes upon it but super-taxation upon them in addition without any justification or reason. There we have a real danger.

Another problem common to natural resource industries, that of trade associations, was discussed by Goldthwaite H. Dorr.

Trade Associations Problem

SOME of the particular facts common to natural resource industries which have a direct bearing on trade association activities are:

1. Natural resource industries are wasting industries. In such industries where conservation of natural resources is of prime importance, the trade organizations have been and can be of service in the interchange of technical information, so that the best available practices shall prevail, and that there shall not be those recurrent extremes of over-supply and shortage.

2. There are multitudes of owning and producing units scattered over an enormous territory, often remote from market, and having little opportunity to gauge market conditions correctly unless the facts of the industry as a whole can be collected and disseminated among them through trade association activities.

3. There is, it is probable, keener and fiercer competition in natural resource industries than in any other industries of the United States. Trade associations in these industries can perform a very definite service in gathering and keeping before the public the facts as to their competitive nature.

4. Trade associations can keep before the public the fact that the products of natural resource industries are standardized articles which under normal economic laws are bound to sell at uniform prices at the same time in the same market.

Prices Regulate Activity

TRADE associations can emphasize this important economic fact; that the margin of differences in returns of different operations is due to varying physical characteristics, and that the normal competitive price for the product of a natural resource industry is a price high enough to attract and keep in business enough producers to meet the needs of the community.

Labor Supply Factors In Immigration

THE PROGRAM of the Civic Development Group Session dealt with the probable effects of the policy of restriction of immigration and the adjustment of business to the condition which this policy will create. The last subject on the program, that on which discussion was invited, was "How Far Can Machinery and a Better Use of Our Present Labor Supply Offset Limitation of Immigration?" The preceding subjects led up to this—gave a background which aided in its discussion.

R. Goodwyn Rhett, the chairman of the meeting, gave the keynote by emphasizing the importance of citizenship, saying:

When Americans conceived that true liberty meant self-government, they actually meant an equal right to make the laws which should govern men among their associates, to determine who should administer and interpret those laws. This was as important as that they should be guaranteed equal protection under those laws. Liberty and the pursuit of happiness involve health, the home, opportunity for the development of one's faculties, and opportunity to receive the reward

of his efforts in such form that he can transmit it to his household—acquisition of property.

Therefore, the first problem with respect to the immigrant is how we are going to inform him as to the benefits of our form of government, how make him, as well as the native-born, sensible that if this country is to continue, every citizen must contribute something to its betterment, not only through the payment of taxes and through required service, but also through voluntary service—service rendered through organizations like the Chamber of Commerce of the United States, through the Young Men's Christian Association, civic organizations, social service organizations. It is such service that measures the quality of our citizenship. Therefore, I think we should begin our consideration of the immigrant from that angle.

Six Recommendations Made

JOHN W. O'LEARY, chairman of the Immigration Committee, presented its conclusions. Printed copies of its report and recommendations had been distributed to the delegates. He quoted the six recommendations as given in the pamphlet and showed that with two exceptions they were embodied in the bills then before the congressional conferees. He concluded:

While reaffirming our belief in the wisdom of restriction of immigration during the period of world readjustment and stabilization by the percentage system now in force, we again assert that

1. Permanent law should be based on physical, mental and moral standards of the immigrant rather than on arbitrary percentage of some previous influx.

2. That, our desire being to improve the quality of our citizenry, the standards set by our immigration law shall be as high as or higher than our existing average.

3. That, while not relinquishing our unquestioned right to determine who shall and who shall not be admitted, we recognize that we cannot progress without friendly foreign relations and that therefore the method of exclusion of those not coming under the general law shall be such as to conserve so far as possible the friendly feeling of such nations.

4. That the bill now pending should provide for definite limit of not less than three, or more than five, years, and should provide for means of study of present law.

Granted that we are to have a drastic limitation on immigration, there are two questions to be considered: first, the part now played in our social and industrial life by immigrants—so that we may understand the size and nature of the problem of readjustment which confronts us; second, the means at hand for maintaining our productivity with a decreased labor supply. The first was presented by Dr. Edward A. Steiner, of Grinnell, Iowa.

Dr. Steiner lives for half the year in a small college town of the middle west, where he is in close contact with the problems of an American agricultural community, and for six months on the east side of New York, where he is in constant contact with the alien colonies of the Metropolis. To him the question of immigration restriction is of first importance, not only to America but to the Old World as well; and because of its importance to the Old World, again of importance to us.

Many Factors Changed

HE SEES in the practically unrestricted immigration of the past a safety valve which now will be far less effective. "Emigration to the United States," he said, "was associated in the Old World with the hopes of the masses of the people for well-being. It offered relief from poverty and oppression and long delayed political and social revolutions.

"In the United States," he said, "immigration was largely associated with the idea of the development of the natural resources of the country. But even before the advent of

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Mr. Peterson also points out the saving to the builder by estimating longer life for the home built of Long-Bell trade-marked lumber, thereby reducing the annual item of depreciation. It is also the opinion of this experienced contractor that the home built of Long-Bell lumber will require the minimum of repairs during its entire life.

"This year, in addition to my own use of Long-Bell lumber as standard," says Mr. Peterson, "three jobs of Long-Bell lumber have been sold to three different people who were putting up homes, and who were impressed by the quality and appearance of my jobs."



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the new type of immigration from the east and south of Europe, the drift of population here was to the city. The fact is that of a million and a half immigrants who gave agriculture as their occupation and who arrived from 1900 to 1910, only about 10 per cent went on the farm."

After discussing the reasons for this and saying, "The greatest difficulty has been that each wave of immigration dipped a little lower in the scale of Europe's population, receding further and further into the backwoods of civilization—until assimilation became, if not impossible, yet dangerous, Americanization difficult," he added:

Whether these newer immigrants are only retarded and not really inferior has not been undeniably proven. I myself believe that they do have potential and cultural values and are not as dangerous to our homogeneity as many of us think. But whatever the student of our phenomena may believe, is of little moment when it faces popular bias and prejudice.

We are fast approaching interior discords in America which are more dangerous than any possible danger from without. It does not matter that our fears are not well grounded. If one believes in ghosts at noon, he is sure to see them at midnight. The popular demand is for curtailment of immigration to the least possible quota.

American industry has to face the fact that only about 160,000 immigrants will arrive annually for the next few years. Of these the very smallest number will be unskilled laborers—I should say not more than 20 per cent. There are many reasons for this, chiefly that common labor in Europe is relatively better off than any other class; and secondly, that a railroad journey to the port, a steamer journey, are now equal in price to first-class passage before the war. The unskilled labor group is too poor to buy a ticket.

For a long time to come the quota will be filled with relatives of prosperous foreign-born Americans, professional and semi-professional, of the white-collar class, of which we have a surplus.

I myself believe that European labor since the war is usually what American industry does not want. In my own Slovakia in the summer of 1921 I found harvest hands demanding and getting an eight-hour day and simply impregnated with communism.

What the foreign-born need is not so much education as good civic examples, good American citizens who are loyally devoted to their own country, outstanding, upstanding citizens. From now on all of us together, foreign- and native-born, must work together toward the healing of divisions, the softening of discords, the bridging of differences. All of your genius will be necessary to achieve it. I am fairly sure that American business men will not be appealed to in vain.

Adjusting to Limitations

ASSUMING that limitation of immigration has become a national policy, the last speaker, L. D. H. Weld, of Swift and Company, Chicago, addressed himself to the problem of industrial adjustment. In this he ventured little in prophecy but devoted himself to an analysis of the chief lines of industry and the opportunities they seem to offer for overcoming the handicap of a diminished labor supply. He went on:

There are three principal ways in which immigration may be offset to a greater or less degree. These ways are: First, through better management; second, through introduction of new machinery and processes; and third, better use of present labor supply.

The Hoover Committee on Elimination of Waste pointed out that management is more than 50 per cent responsible for the present waste in industry, and that labor bears less than 25 per cent of the responsibility. Management wastes occur through faulty control of material, of designs, of production, and of labor, as well as through lack of cost control, faulty sales policies, etc.

Immigration restriction will undoubtedly serve

as an inducement to find new processes and to invent new machinery. Industries differ in the extent to which machinery can be used. The industries using steel and other metals, and those that assemble interchangeable parts into finished wholes, can use machinery to the greatest extent. In other industries where goods of irregular shapes and sizes are produced and where goods have to be processed, step by step, a vast amount of man labor will always be necessary.

Although great progress along these lines is possible in the future, it is questionable whether drastic restriction of immigration can be entirely offset. Immigration restriction goes along with our protective tariff in putting the United States on an artificially high level of wages, prices, and living standards, as compared with the rest of the world. Although this policy restricts international trade and possibly keeps us from developing our own resources as rapidly as we might, our country is so large and has such a variety of climates and resources that we can probably maintain this high level of well-being for an indefinite period to come. We are beginning to think quality rather than quantity. We are looking toward a quicker assimilation of foreigners and a better national spirit.

The discussion was led by Eugene B. Clark, president of the Clark Equipment Company, Chicago.

Finance in Europe and on the Farm

THE FINANCE group program was evenly divided between addresses upon the international and economic situation and the discussion of problems pertaining to American agriculture, the group being the guest of the Union Trust Company, of Cleveland, both at luncheon and the conference that followed.

Fred I. Kent, vice-president of the Bankers Trust Company and chairman of the International Chamber's Committee on Economic Restoration, who presided, spoke upon aspects of the international financial situation; and Col. L. P. Ayres, vice-president of the Cleveland Trust Company and technical adviser of the Committee of Experts of the Reparation Commission, described the work of the experts and outlined the provisions in the commission's reports.

The speakers upon agricultural topics were G. F. Warren, professor of Agricultural Economics and Farm Management at Cornell University, whose subject was "Agricultural Depression—Its Causes and Remedies," and Carl Williams, honorary president of the American Cotton Growers Exchange and editor of the *Oklahoma Farmer-Stockman*, who presented an address on "Financial Methods of Agricultural Cooperatives."

Mr. Kent reviewed the more recent aspects of the international financial situation. He pointed out that the European countries are burdened with debts both external and internal and that unfortunately these debts are of such a nature that they cannot be cancelled by a clearing house operation but must be either paid, adjusted or repudiated. The enormous debt charges of the European countries, combined with currency inflation and unbalanced budgets, have produced fluctuating exchanges which in turn obstruct the trade and industry of the world.

The only really outstanding event in the business and political world during the past year has been the Dawes Report.

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relationship between this indebtedness and reparations. In view of the financial conditions of some of the reparations receiving powers, it is clearly the duty of the United States to take up the question of inter-allied indebtedness with the other creditor nations, Great Britain and France, and ascertain how it can be treated so as to make possible the next step of reconstruction and also to assure a successful working of the Dawes plan.

The people of the United States are, however, in no mood to consider an adjustment of inter-allied indebtedness that would permit the present militarism to continue in Europe. This militarism is the logical result of the fear arising from the war and can be reduced only by general agreement among the nations on a plan to limit armaments. The way now seems open for bringing about negotiations which may accomplish the three further things necessary to reestablish world peace; namely, the "control of militarism, the refunding of inter-allied indebtedness, and the final fixation of the total amount of reparations that Germany is to pay." If the Dawes plan is put into operation and some agreement regarding armaments is reached, the Debt Commission could then put before the people of this country some plan relative to inter-allied indebtedness.

Seventeen Reparation Conferences

COLONEL AYRES reviewed generally the work of the Committees of Experts and pointed out that the meeting of the experts was the seventeenth conference which has been held relative to reparations and allied subjects—an average of one about every three and a half months since the armistice.

After a review of social conditions in Germany, he briefly outlined the provisions of the experts' reports. The duty of the second committee was to ascertain how much German capital was abroad and to devise means to bring this back. The committee worked out a ten-year balance sheet and estimated that about \$1,600,000,000 German capital was outside the country, but found no positive means of compelling its return, reporting that it would mostly come back when conditions in Germany were such as to attract it.

Colonel Ayres then briefly outlined the contents of the report of the first Committee of Experts, "The Dawes Report." The duty of this committee was to recommend means for stabilizing the currency and balancing the budget. The first step in the plan is the creation of a new bank in Germany, partly under foreign control, a bank of issue. The government is then to raise money from taxes and on railroad and industrial bonds, all these revenues to be placed in the new bank in two accounts—one for the government and the other for reparations—and from the latter all reparation payments are to be made.

It is believed that Germany will be able to get back on a going basis but not without some aid from the outside; consequently an external loan of \$200,000,000 is recommended.

From an economic standpoint some serious problems arise. The sum of two and one-half billion marks, which is the standard annual payment, is equal to about two million dollars a day and about four times what England is paying the United States on the former's indebtedness. In order to raise this sum and pay the necessary expenses of the government, Germany will have to raise annually, by taxation or otherwise, an amount equal to about 30 per cent of the national income.

Considerable funds also will have to be raised from the railways; and if the proposed charges are to be met, the railways will be

obliged to produce more revenue than they ever have before. Price levels, however, are higher today, and with the railroads turned over to private corporations, it seems possible that they may be able to meet the proposed demands.

The second big problem is to get the money out of Germany after it has been paid into the bank. In order to accomplish this, Germany will have to develop the biggest export trade in her history. If other countries, however, are willing to receive the exports, Germany may be able to meet the demands either by increasing the volume of export trade or by making it more profitable, or by a combination of these methods.

The proposed bank also presents another problem. While it is commonly called a gold bank, it is not contemplated that it shall be placed on a gold convertible basis at the beginning. This latter plan was objected to by all the Europeans, including the English. Should the bank be placed on a gold basis, however, it presumably would clear through New York; or if not, the assumption is that it will ally itself closely with London.

Colonel Ayres expressed approval of the plan as a whole but suggested three conditions: (1) that the new bank be placed on a gold exchange basis, (2) the loan charges should have clear precedence over all reparation payments, and (3) an understanding that if Germany, acting in good faith, fails to make the required payments at any one time, she will not then be considered in default, and thus perhaps overturn all that has been accomplished. These last two conditions are regarded as particularly important for the reason that should Americans advance money to Germany and there should later be a default, Americans would be reluctant to advance further credit to Europe; and this country is the only country which has the necessary material resources to rehabilitate Europe.

Several possible means of aiding the agricultural industry were discussed by Dean Warren. Increased credit facilities have helped some farmers, but many cannot be aided by this method. Cooperative marketing also affords some assistance, but the savings that can be effected this way are small in comparison with the decline in prices. Diversified farming does not offer any general solution. There is no evidence that there is a market for any more of the major agricultural products than are now being produced; and if, for example, one section produces more dairy products, then another section must produce less. State and local tax reduction will help, but relief from this source will necessarily come slowly. More state aid to schools would be of direct assistance since this would shift some of the burden of local taxation from the depressed agricultural industry to the more prosperous cities. Improvements in European conditions may help some.

Tax Problem Must Be Met

THE REAL problem is the payment of taxes, and interest and principal of debts contracted. There are only two ways to meet the situation—either the price level of farm products must approach the level at which debts were incurred, or those heavily in debt must turn their farms over to new buyers at prices adjusted to new conditions. If the latter method is followed, there will be violent political agitation since men will not willingly submit to the loss of property. Inflation and deflation are both serious economic diseases, and price stability is the remedy for both. The level at which prices should be stabilized is the level at which debts, wages and public service charges are most nearly adjusted.

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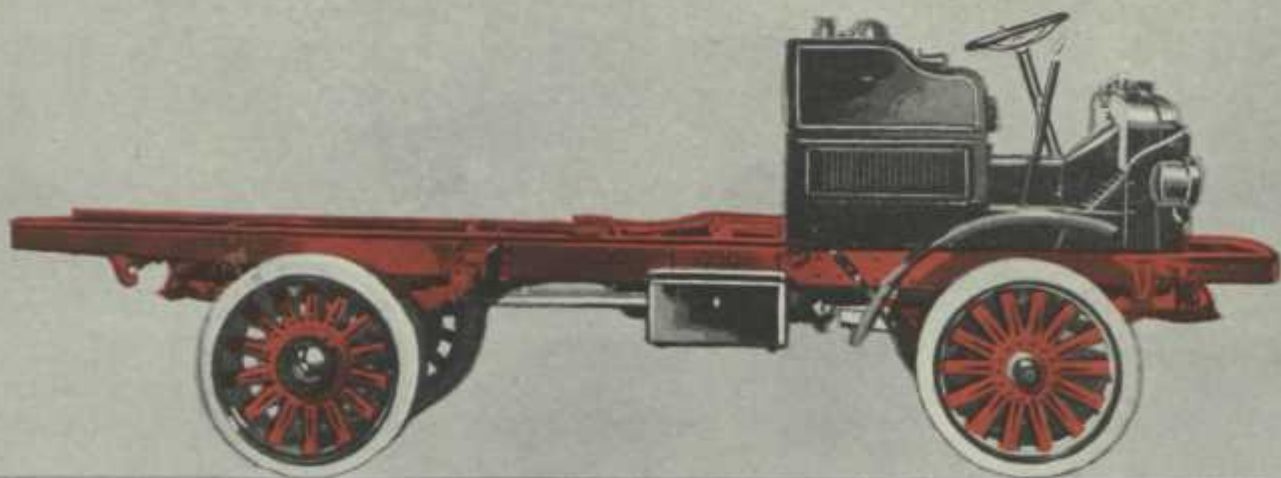
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